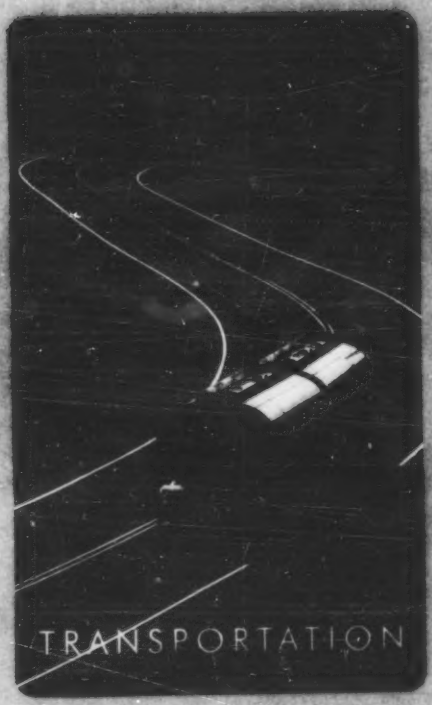
CONNECTING TO THE FUTURE



2001-02 Budget

SASKATCHEWAN
The Hon. Eric Cline
Minister of Finance

101-03957/

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INTRODUCTION

The Government of Saskatchewan is committed to promoting prosperity throughout the province and a high quality of life for all Saskatchewan people.

The Government has developed the following vision for the Province of Saskatchewan:

All Saskatchewan people enjoy prosperity and a high quality of life – we seize the future with confidence and a spirit of innovation.

The three long-term goals of the Government are:

- a thriving economy that enhances the quality of life for all;
- responsible and healthy citizens, families and communities; and,
- responsive and effective government.

Our Government shares with the people of this province the values of creativity, co-operation, compassion and hard work. We believe these values are an integral part of the "spirit of Saskatchewan," which has allowed us to overcome economic challenges and lead Canada in the development of progressive public policy.

Building on our shared vision and values, the 2001-02 Budget demonstrates the policy directions, strategies and actions we will take to achieve our goals.

Saskatchewan's personal tax reform plan, initiated in last year's Budget, provides a firm foundation for a thriving economy that enhances the quality of life for all. The 2001-02 Budget builds on that foundation with a solid plan to connect Saskatchewan to the future, particularly in the areas of education, transportation and technology. Companion strategies for rural revitalization, northern development and working with Métis and First Nations people will further contribute to achieving our economic and social goals.

Saskatchewan people enjoy a quality of life that is second to none. Strategies set out in this Budget for early childhood development and poverty reduction address not only our economic goals, but also the development of responsible and healthy citizens, families and communities.

Over the last ten years, the Government of Saskatchewan has taken strong action to provide responsive and effective government, through improved financial management and reporting. Last year, we initiated a new strategic planning process to further improve accountability and ensure that our actions respond effectively to the needs of Saskatchewan people. This Budget reflects the participation of all government departments in the new strategic planning process.

CONNECTING TO THE FUTURE

Saskatchewan's economy is changing – and for the better. Our economy is more diversified than ever, with strong growth taking place in mineral production, manufacturing and many non-traditional industries.

Economic growth is a prerequisite to a high quality of life for Saskatchewan people. Today, Saskatchewan stands on a firm foundation of an increasingly competitive tax regime and a growing, diverse economy.

The measures introduced in this Budget build on last year's plan for growth and opportunity by investing in education and training, building our transportation infrastructure and promoting full participation in the new, digital economy.

These investments will further our long-term plan to provide the people and communities of this province with the tools they need to connect to the future.

Building Saskatchewan's Economy

Connecting to the future is about building economic capacity in our communities – making sure our people have the tools they need to plug-in, participate, communicate and compete.

Connecting to the future is about shrinking distances and enabling individuals, families and communities to reach out to one another.

Connecting to the future is about establishing innovative school-based programs to keep kids in school. It is about creating a web-based virtual campus to provide education and training to Saskatchewan people, no matter where in the province they live.

Connecting to the future is about more opportunities for our talented young workers and entrepreneurs to contribute to our province's future.

Connecting to the future is about rebuilding our highways and roads to support economic growth.

Connecting to the future is about using new technologies to improve the services that matter to people.

Connecting to the future is about working together in the spirit of Saskatchewan to reach our shared vision of a high quality of life for all Saskatchewan people.

The Government of Saskatchewan has worked with Saskatchewan people, businesses and communities to strengthen the Province's financial position, reduce taxes and expand and diversify the economy.

We will continue to work with the people of Saskatchewan to connect our province to the future.

EDUCATION

Education and training will connect our people to the future. Saskatchewan people rely upon a quality education system that focuses on continuous learning and draws strength from collaboration and diversity.

Our children carry the benefits of a high quality education into their adult lives. More than ever, they can participate in diverse, world-class opportunities for training and education beyond Grade 12 right here in Saskatchewan.

Our plan supports the Government's goal of a thriving economy that enhances the quality of life for all. Our long-term plan for education and training provides people with the knowledge and skills they will need to reach their full potential. Connecting our education system to the future will ensure that Saskatchewan people have access to the life-long learning and skills programs they, our economy and our society need.

Connecting Saskatchewan's Children to the Future

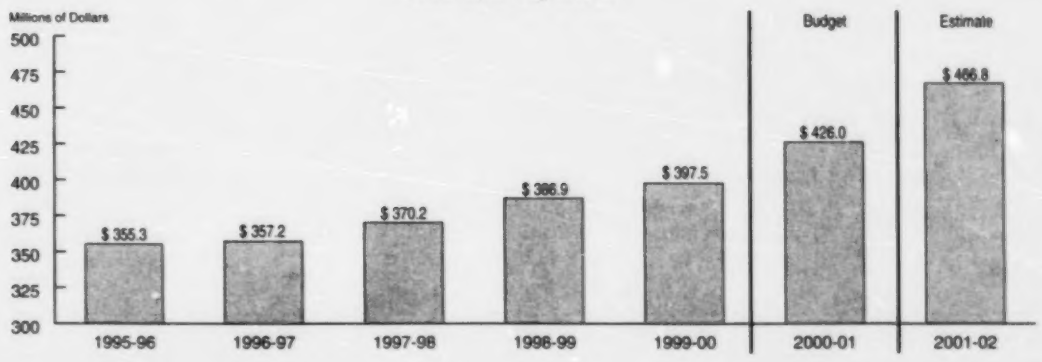
Community-based approaches to educating our youngest students are working. Community schools, first launched in Saskatchewan in 1980, help ensure that all Saskatchewan children, regardless of their social and economic situations, receive a quality education.

Community schools work in partnership with parents, families and the community to provide educational and social supports to promote success at school and in life.

This year, the Government of Saskatchewan will undertake a significant expansion of the Community Schools Program. The 2001-02 Budget will establish 42 new community schools, including elementary and secondary schools in both rural and urban Saskatchewan.

Our Government will also ensure that Saskatchewan's elementary and secondary schools have the resources they need to recruit and retain teaching professionals. This year, school operating grants will increase by $40.8 million.

School Operating Grants



Giving our People the Skills to Succeed

New technologies are shaping the future of our education system. The Internet and other tools are shrinking the distance between educator and learner, and providing access to information sources around the world.

Today, we are taking the bold action necessary to provide students, at all levels, with the technology to plug-in, participate, communicate and compete.

This Budget provides better access to high-speed Internet for Saskatchewan schools and more made-in-Saskatchewan online resources to help our students improve their skills. We will also invest $2 million per year for three years to upgrade infrastructure ensuring in-school Internet connectivity. An additional $3 million a year will support the development of made-in-Saskatchewan educational resources for use online and in classrooms.

This Budget will create a virtual Saskatchewan Campus to provide one-stop, web-based access to post-secondary courses and programs.

The 2001-02 Budget launches a new Centennial Scholarship Program. Through this program, the Province will provide $500,000 to Saskatchewan post-secondary institutions for merit-based undergraduate scholarships. Institutions will match the provincial funding, resulting in an estimated 325 scholarship awards. The value of the scholarships will approximate the cost of tuition for first-year post-secondary studies.

Participating in the global economy also means having skills that are in high demand – skills that command a high wage. Developing Saskatchewan's work force through targeted training and education programs will help meet the needs of employers, and allow our province to reap the benefits of a growing economy.

The Saskatchewan Campus will be a partnership among the two universities, SIAST, regional colleges and other institutions and agencies to provide:

- services for online learners in urban, rural and northern Saskatchewan;
- access to more online post-secondary courses through the Internet;
- streamlined admission for students taking courses from different institutions, with links to online registration and applications for student financial assistance;
- professional development and instructional design support for faculty who are producing online courses or using them in their teaching; and,
- enhanced credit transfer to enable greater access, mobility, and opportunities for learners.

The 2001-02 Budget makes the largest investment ever in education and skills training. Our total $1.1 billion investment will:

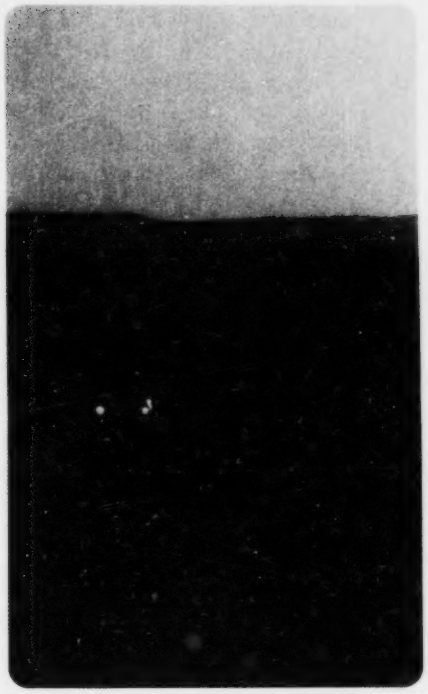
- increase Foundation Operating Grants to schools by $40.8 million;
- improve Saskatchewan's ability to attract and retain the brightest and best elementary and secondary teachers;
- double the number of community schools in Saskatchewan and extend the program to secondary schools and rural areas;
- provide high-speed Internet access to Saskatchewan schools;
- increase the number of early learning programs for at-risk children in high-needs communities;
- increase the number of educational and developmental specialists in rural areas;
- enhance and expand training capacity for information technology related programs at the universities and SIAST;
- create the virtual Saskatchewan Campus;
- create 40 additional training opportunities through the Forestry Multi-Party Training Plan;
- provide 80 new training opportunities in the skilled trades through the Aboriginal apprenticeship program;
- create summer jobs for an additional 1,500 secondary and post-secondary students planning to return to school, for a total of 2,200 student jobs;
- provide significant improvements to the interest relief and debt reduction components of the Student Aid Program;
- double the education tax credit amount to $400 per month for full-time students and $120 per month for part-time students; and,
- provide 325 scholarship awards to post-secondary students through the new Centennial Scholarship Program.

TRANSPORTATION

Connecting Saskatchewan to the future means providing our communities and our economy with a safe, reliable and efficient transportation system.

Rationalization of the grain handling system has put considerable pressure on the province's transportation infrastructure. The need for a comprehensive, national highways program to address this challenge is clear. However, no such federal program has been forthcoming.

The provincial government is working with communities and industry to address the challenges facing our transportation system. Saskatchewan's plan for transportation supports the Government's goal of responsive and effective government.



Building a Transportation System for the Future

In 1997, the Government made a 10-year, $2.5 billion funding commitment to our transportation system. In November 2000, the Government earmarked an additional $150 million to be invested in highways over three years.

Our investment of more than $900 million over the next three years means that we will accelerate our plan to fix Saskatchewan's roads. For example, Highway No.1 west will be twinned by 2004 – four years ahead of schedule. This year, the 20 km section between Tompkins and the Alberta border, and another 33.4 km from Indian Head to Wolseley will be paved and opened. Grading to the junction of Highway No. 21 on No. 1 west will also begin in 2001.

Last year, 10.3 km of twinned pavement was opened on the Yellowhead Highway, from west of Lashburn to east of Marshall. This year, we will open another 16 km of twinned highway from west of Maidstone to east of Lashburn. In total, in the year 2001, 70 km of twinned highway will be opened to traffic on our two national highways.

Improvements will also be made to 550 km of rural and northern highways. About 800 km, or 10 per cent, of the province's thin membrane surface (TMS) highways will be upgraded to granular pavement over three years, and will be capable of handling heavy traffic. In addition, spring repairs on TMS highways will begin four to five weeks earlier this year.

Along with municipal and federal partners, the Government will develop strategic rural highway corridors to facilitate regional economic and social development. In addition, we will implement a major trade corridor strategy to support the inter-regional, inter-provincial, and international movement of commodities.

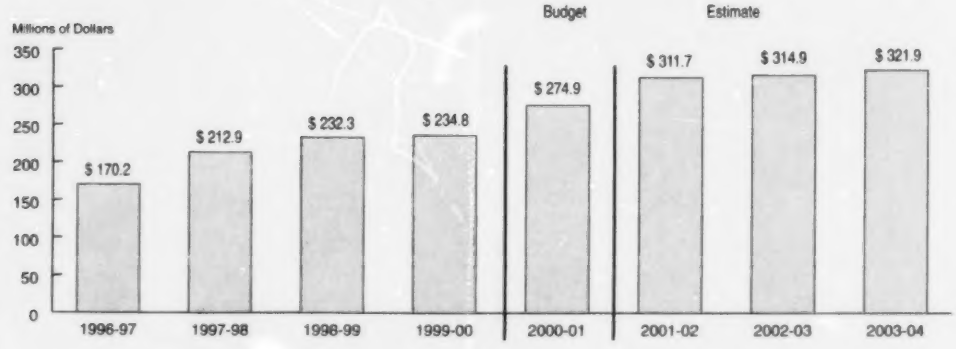
A Focus on Rural Partnerships

The Government is working in partnership with third parties, such as rural municipalities and area transportation planning committees. Together, we will stabilize the amount of industrial traffic and reduce road damage.

To realize these objectives, $30 million will be allocated for the Prairie Grain Roads Funding Program. This funding, shared equally by the provincial and the federal government, will enhance current spending on roads affected by increased grain hauling.

In addition, $3.7 million in federal funding will be allocated to the Airport Capital Assistance Program to complete work at the La Ronge airport. Finally, a $2 million increase for the Strategic Rural Road Partnership Program will improve the diversion of heavy haul traffic to appropriate roads where damage can be minimized.

Highways and Transportation Expenditures



The 2001-02 Budget provides $311.7 million for the Department of Highways and Transportation and $23.7 million in Rural Revenue Sharing – about two thirds of which will go to rural roads. This funding, along with $3.3 million from the Centenary Fund, results in a total investment of more than $335 million.

A safe, reliable and effective transportation system is vital to meeting the social and economic needs of a prospering province. By accelerating our twinning program, rebuilding rural highways and repaving provincial highways, we will ensure a transportation system that connects our province to the future.

Saskatchewan's investment of $900 million over the next three years means:

- Highway No.1 west will be twinned by fall 2004;
- primary pavements will be upgraded to a 20-year life cycle;
- regional pavements will be upgraded to a 25-year life cycle;
- over three years, 800 km of TMS roads will be upgraded to granular pavement;
- northern roads, highways and airports will be improved;
- safety improvements will be achieved through increased signing and roadside mowing, and increased traffic officers; and,
- hundreds of jobs will be created for road builders and construction crews, engineers and summer students.

TECHNOLOGY

Technology is an important key to the future. It is the means through which we can provide the best and most up-to-date services in education and health. The availability of the latest technology is a critical factor in attracting young, talented workers and entrepreneurs to our province.

Our technology strategy supports the Government's goal of thriving economy that enhances the quality of life for all.

The Government of Saskatchewan will ensure the province remains technologically current with Canada and the world. The 2001-02 Budget launches an innovative information technology strategy that will pave the way for our people to plug-in, participate, communicate and compete.

CommunityNet

The cornerstone of Saskatchewan's information technology strategy is CommunityNet. This six-year, $71 million project brings together the provincial government, SaskTel and SCN to connect schools, post-secondary institutions and health facilities in 366 communities with a high-speed network.

CommunityNet encompasses all players in the public sector to form one anchor tenant. These agencies will pool existing and new resources to achieve a common objective – high-speed information exchange at an affordable cost. CommunityNet will encourage the development of improved Internet access for individuals, organizations and businesses across Saskatchewan.

Technology in Education

CommunityNet will provide improved technology for Saskatchewan classrooms. By spring of next year, 30 per cent of Saskatchewan's schools will be connected to CommunityNet. Virtually all schools will have high-speed Internet access by 2004-05.

Our strategic investment in technology will:

- provide $2 million per year for three years to improve in-school connectivity;
- place instructional materials for K-12 schools online;
- provide $3 million in each of the next four years to allow schools to develop online learning resources;
- enhance information management and student tracking systems;
- create a virtual Saskatchewan Campus; and,
- expand information technology training at SIAST and Saskatchewan's two universities.

Technology in Health Care

The use of information technology is essential to efficient and effective delivery of health care services. Our information technology strategy will ensure that Saskatchewan people benefit from this important use of technology in their health care system.

Through CommunityNet, the Saskatchewan Health Information Network (SHIN) will establish connections between health service sites across the province. The network will focus on enhancing health services, while protecting personal information through legislation, policy and technical safeguards.

E-Government

Saskatchewan people expect easy access to government services and information. Over the next four years, the Government of Saskatchewan will modernize its technological infrastructure – creating Saskatchewan's digital E-Government system.

The Government of Saskatchewan is taking a leadership role in demonstrating how to take advantage of information technology to participate in the new economy.

In addition, the Government will invest in a new revenue and expenditure system to enhance control and management of taxpayers' dollars and improve government accountability to the people of the province.

E-Government will:

- place all government forms online by 2002;
- allow 90 per cent of all public transactions with the Province to be available online by 2004;
- complete the Corporations Branch's automated registry system allowing Saskatchewan businesses to register online; and,
- provide free, online access to all Saskatchewan legislative documents.

CONCLUSION

Our strategy to connect our people, communities and province to the future will continue to improve the competitiveness of our economy and ensure that the people of this province have access to the quality services that matter.

The 2001-02 Budget offers a clear, long-term plan for growth and opportunity for our province.

Working together, we will achieve our vision of a province where all Saskatchewan people enjoy prosperity and a high quality of life.

In the following section, we provide further details and strategies that complement our major initiatives in education, transportation and technology.

SASKATCHEWAN'S STRATEGY FOR EARLY CHILDHOOD DEVELOPMENT

Introduction

Connecting to a strong future begins with a spotlight on Saskatchewan's children. Today, around the province, children and their families are benefiting from better child care facilities, nutrition and community lunch programs and a wide variety of other important services.

The Saskatchewan Child Benefit and the Saskatchewan Employment Supplement are helping low-income parents meet the costs of raising a family -- and helping them enter and stay in the work force.

Saskatchewan's Action Plan for Children, initiated in 1993, has brought a focused, co-ordinated approach to providing the services families need in their own communities. New initiatives in early childhood development will complement the Action Plan by helping Saskatchewan children get a healthy start in life.

Saskatchewan's Early Childhood Development Strategy provides the foundation for achieving Government's goal of responsible and healthy citizens, families and communities.

Early Childhood Development Strategy

Saskatchewan's Early Childhood Development Strategy is a comprehensive, long-term plan to ensure that children prenatal to age five have the best possible start in life. The Strategy will support the healthy growth and development of children. It will provide intensive support to high-needs families through innovative partnerships among families, communities, schools, health districts, Aboriginal organizations and governments.

The Strategy builds on the September 2000 First Ministers' Agreement on Early Childhood Development and enhances Saskatchewan's existing early childhood development programs. Under this Agreement, Saskatchewan will receive $10.0 million in federal funding in 2001-02 for early childhood programming.

Saskatchewan's Early Childhood Development Strategy offers a new approach to delivering services for high-needs families. It sets out long-term goals and actions that will guide our efforts, and commits to measure and report on progress toward these goals each year.

Early Childhood Development Framework

Vision

Vulnerable children enjoy a good start in life and are nurtured and supported by caring families and communities.

Goals

High-risk children are born healthy and remain healthy.

High-risk children are supported and nurtured by healthy, well-functioning families.

High-risk children are able to learn, cope and problem solve.

High-risk children are free from abuse, injury, disability, disease and death.

High-risk children have access to a comprehensive, integrated and developmentally sequential system of supports and services.

Early identification of risk and provision of appropriate support services are essential elements of a comprehensive early childhood strategy. In-hospital screening of all newborns will identify families at risk based on factors such as income, education, social supports and access to health resources. New services will be targeted to communities with the highest needs.

All other communities will benefit from better integration of existing services. Community Developers, located in ten areas across the province, will ensure that families in need get connected to resources in their communities.

Measuring Progress

The 2001-02 Budget presents a comprehensive plan in support of children and families. Over the next year, we will develop measurable objectives to track progress, assess our results, and report back to Saskatchewan people.

Conclusion

Saskatchewan people have come together like never before to find ways of improving community services for their children. Community-driven initiatives were the inspiration and the impetus for the Saskatchewan Action Plan for Children. Now, through the Early Childhood Development Strategy, Saskatchewan families will find the support they need to connect their children to the future.

For families at risk in high-needs communities, the 2001-02 Budget will introduce the following intensive support services:

- prenatal services focusing on prevention of Fetal Alcohol Syndrome and Fetal Alcohol Effects;
- home visiting services to connect families to the appropriate community support services;
- 195 additional licensed child care spaces to support parents in work or training; and,
- increased access to early learning programs in targeted communities including programs for children aged four and five to enhance their social development, school readiness and ability to learn, and parent supports such as literacy programs and community kitchens.

SASKATCHEWAN'S STRATEGY FOR MÉTIS AND OFF-RESERVE FIRST NATIONS PEOPLE

Introduction

A prosperous future for Saskatchewan depends on the full participation of all people in our economy. Improving the economic and social conditions of Aboriginal people in Saskatchewan is critical to ensuring that all are able to participate in, contribute to, and benefit from a growing economy.

The 1996 Census showed that 11.4 per cent of the provincial population was of Métis or First Nations ancestry. About half of all First Nations people lived off-reserve and two-thirds of all Métis people lived in Regina and Saskatoon.

Saskatchewan's Métis and First Nations people face particular challenges in entering and participating in the labour market and, at the same time, offer great opportunities for our future work force.

Saskatchewan's strategy for working with Métis and off-reserve First Nations people supports the Government's goals of a thriving economy that enhances quality of life for all, and responsible and healthy citizens, families and communities.

According to 1996 Census data for Saskatchewan, the unemployment rate for Aboriginal people was almost five times higher than the non-Aboriginal rate. The average income for Aboriginal persons was just over half of the average annual income for non-Aboriginal persons. Based on 1996 data, Statistics Canada projected that, by 2001, one in three new primary school entrants will be Aboriginal, and one in four new labour market entrants will be Aboriginal.

Métis and Off-Reserve First Nations People Strategy

The Government of Saskatchewan, together with Métis and off-reserve First Nations people, has developed a strategy that offers opportunity, resources, hope, and respect for every person in Saskatchewan. Community participants told us that their priorities for the future include education, work preparation, jobs and economic development, and community well-being. The *Framework for Co-operation* responds to these community priorities.

The 2001-02 Budget includes $10 million in incremental funding for new or expanded services, in addition to ongoing funding for a number of other programs, to support the Government's strategy for working with Métis and off-reserve First Nations people.

Framework for Co-operation

Vision

All residents of Saskatchewan, including Métis and off-reserve First Nations people, will have the opportunities and resources to participate fully in our communities and our economy.

Goals

Enhance the successful entrance and completion of primary, secondary and post-secondary education for Métis and off-reserve First Nations people.

Prepare Métis and off-reserve First Nations people to participate in a representative provincial work force.

Ensure representative work force participation by Métis and off-reserve First Nations people in the provincial economy.

Improve individual and community well-being of Métis and off-reserve First Nations people.

Goal 1

Enhance the successful entrance and completion of primary, secondary and post-secondary education for Métis and off-reserve First Nations people.

The 2001-02 Budget provides additional funding for 21 new elementary and 21 new secondary community schools to help improve graduation rates for Métis and off-reserve First Nations people. Ongoing curriculum development and implementation is aimed at reducing barriers to learning.

The Government remains committed to adult basic education to ensure that Aboriginal people acquire the necessary skills to move on to post-secondary education and employment. Adult learners are also eligible for financial support through the Provincial Training Allowance, loans, scholarships, bursaries, and the graduate tax credit.

Goal 2

Prepare Métis and off-reserve First Nations people to participate in a representative provincial work force.

Key initiatives include 80 additional spaces for Aboriginal people in apprenticeship programs to promote skills training and job placements. Increased funding for skills training will allow Aboriginal people to participate as equal partners and employees in forestry sector expansion. This investment will lever additional funding from other partners in the forestry development initiative.

The 2001-02 Budget continues our commitment to the JobStart/Future Skills program and to the Mineral and Forestry Sector Multi-Party Training Plans. These initiatives will provide Métis and off-reserve First Nations people with the skills to successfully compete for jobs. The Government is also committed to improving the math and science skills of Northern and Aboriginal people, to help them access training for nursing and other high demand health and science occupations.

Goal 3

Ensure representative work force participation by Métis and off-reserve First Nations people in the provincial economy.

The 2001-02 Budget supports work force participation through funding for an additional 12 partnership agreements with employers under the Aboriginal Employment Development Program.

A new Aboriginal Internship and Management Development Program will create ongoing and summer student employment in the provincial government work force.

Investments in forestry development and reforestation will increase employment opportunities for Métis and off-reserve First Nations people in the North.

Goal 4

Improve individual and community well-being of Métis and off-reserve First Nations people.

The 2001-02 Budget maintains our commitment to reduce poverty among Aboriginal children through the Saskatchewan Child Benefit, the Saskatchewan Employment Supplement and Family Health Benefits. As well, introduction of the Early Childhood Development Strategy will help give at-risk Métis and off-reserve First Nations children a better start in life.

Additional funding will support ongoing development of Aboriginal service delivery systems in urban settings.

Initiatives to improve diabetes prevention and treatment will respond to a key health challenge for Métis and off-reserve First Nations people.

The 2001-02 Budget maintains our commitment to increase adequate, affordable housing for northern communities and inner cities through repair assistance programs. The Neighbourhood Home Ownership Program will help families living in inner city areas purchase their own homes.

Measuring Progress

The 2001-02 Budget presents the Government's initial investment to support Métis and off-reserve First Nations people through the *Framework for Co-operation.* In the coming months, we will develop a set of key measures that we will use to report back to the community on our progress in improving the circumstances of Métis and off-reserve First Nations people in Saskatchewan.

Conclusion

The Government of Saskatchewan is committed to making sure that all Saskatchewan people enjoy prosperity and a high quality of life. Métis and off-reserve First Nations people are part of that commitment, and the Saskatchewan 2001-02 Budget provides development tools for Aboriginal communities to connect to a prosperous future.

SASKATCHEWAN'S STRATEGY FOR POVERTY REDUCTION

Introduction

The Government of Saskatchewan is committed to alleviating poverty by giving people the tools they need to succeed. Our approach focuses on attacking the root causes of poverty and opening doors to opportunities. One of our most notable achievements in poverty reduction is the Saskatchewan Action Plan for Children, established in 1993. These and other investments protect the most vulnerable, build human capacity, remove barriers to employment, and promote vibrant, inclusive communities.

The Early Childhood Development Strategy, the Métis and off-reserve First Nations People Strategy, education at all levels, personal tax reform and business tax reductions, all play an important role in creating opportunities for Saskatchewan residents.

Saskatchewan's strategy for poverty reduction supports the Government's goal of a thriving economy that enhances the quality of life for all.

Skills Training – the Link to Employment

Skills training is one of the most important services government can provide for those seeking to improve their economic circumstances. The Government of Saskatchewan actively supports an integrated system of programs and services that reduce barriers and link skills training programs directly to the labour market.

Career and Employment Services offices around the province work directly with clients to help them with career planning, education upgrading, resume writing, job searching and computer skills. In the first nine months of 2000-01 over 21,000 clients were served, including 7,000 who were on social assistance.

Income support programs, such as the Provincial Training Allowance and Skills Training Benefit, help low-income learners gain a basic education or take skills training. Every year, more than 10,000 people upgrade their knowledge and skills through provincial programs.

Saskatchewan also provides significant bursary assistance for low-income parents, and debt reduction and interest relief benefits for individuals having difficulty with student loan repayment. These benefits will be enhanced this year when the provincial and federal student loan programs are integrated.

Each year, about 3,700 unemployed people make the transition to the job market through employment programs. In addition, more than 3,500 unemployed people receive credited training for permanent jobs through JobStart/Future Skills.

Many people with disabilities live in poverty and require support to access education, training and employment opportunities. The Employability Assistance for Persons with Disabilities program will ensure accessibility to programs and services for over 1,400 individuals this year.

Housing

Saskatchewan continues to place a high priority on affordable accommodation for low-income families. The Province provides housing assistance to seniors and families through a number of programs and initiatives.

The Saskatchewan Housing Corporation (SHC) meets the needs of nearly 67,000 low-income seniors, families and persons with disabilities. SHC provides 31,500 affordable housing units in nearly 300 communities.

The Neighbourhood Home Ownership Program (NHOP) helps low-income families in inner city neighbourhoods purchase and renovate homes.

In 2001-02, funding through the Centenary Fund will be allocated for new seniors' and family housing units, and to repair and upgrade a 40-room residence for homeless women and children in Saskatoon.

The Residential Rehabilitation Assistance Program, which is cost-shared with the federal government, has helped over 2,200 low-income households with home repairs and modifications related to disability. In addition, the Northern Housing Funding Pool provides assistance for home ownership and rental.

Income Assistance

Due to a healthy economy and innovative new programs, social assistance caseloads have been declining steadily for the past six years. Saskatchewan's Building Independence programs are working, connecting Saskatchewan people with opportunities and improving income supports and benefits for low-income families.

The Provincial Training Allowance, the Saskatchewan Child Benefit and the Saskatchewan Employment Supplement assist low-income families with the work-related costs of caring for children, reduce the barriers to employment, and support work force attachment. Since the Building Independence programs were introduced three years ago nearly 4,000 families have been able to leave social assistance. Families with children are spending approximately 25 per cent less time on social assistance and are returning to the work force more quickly. In the first year of the program, approximately 50,000 low-income families with 104,000 children benefited from the Saskatchewan Child Benefit.

The Saskatchewan Sales Tax Credit

Major reform of Saskatchewan's personal tax system was accompanied by a new, refundable Saskatchewan Sales Tax Credit (SSTC). The SSTC helps lower income individuals and families offset the impact of changes to the sales tax base, which were introduced in last year's Budget.

About 300,000 Saskatchewan residents are eligible to receive the Credit. The tax reform plan, when fully implemented, will remove over 55,000 low-income individuals and families from the provincial income tax rolls.

Conclusion

Although much remains to be done, the Government of Saskatchewan has demonstrated a long-standing commitment and a consistent approach to reducing poverty. Programs and services have continued to be enhanced with an eye to the future. The Government, along with its many community partners, has taken a long-term preventative approach, to address the needs of its most vulnerable citizens. This strategy will continue to contribute to social and economic well-being and connect Saskatchewan people to the future.

The 2001-02 Budget includes:

- enhanced income tax credits for students, persons with disabilities and caregivers;
- continued commitment to quality, affordable housing; and,
- major investments in education and training to connect Saskatchewan people to the opportunities of the future.

SASKATCHEWAN'S STRATEGY FOR THE NORTH

Introduction

Developing our northern economy and northern communities will ensure that residents of the North can connect to a future of growth and opportunity.

The population in Saskatchewan's North is growing at a faster rate than that of the rest of the province. Between 1991 and 1996, the population of northern Saskatchewan grew by 16 per cent. In addition, the population of the North is significantly younger than the rest of the province.

Industries such as forestry, mining, tourism, construction, human services and community-based economic development are creating opportunities for northern residents. But, there are challenges that must be addressed to ensure that northern residents can enjoy a high quality of life.

Saskatchewan's strategy for the North supports the Government's goal of a thriving economy that enhances the quality of life for all.

Creating Opportunity – Enhancing Quality of Life

Saskatchewan's strategy for the North is about helping people make the most of existing and future opportunities. The Northern Development Fund (NDF) and the Strategic Opportunities Assessment project are helping northern residents take advantage of new economic opportunities in forestry, commercial fishing, tourism and other sectors. Since its inception in 1995, the Fund has approved $4.5 million in grants, $9.2 million in commercial loans, and $1.7 million in primary production loans.

Separate from the NDF, a Commercial Fishing and Freight Subsidy Program of $300,000 supports northern commercial fishers.

The Government's Forestry Strategy will continue to stimulate the development of new northern-based forestry mills and create jobs for Northerners.

The mining sector provides employment for over 1,200 Northerners. Annual wages of more than $22 million are paid to Northerners employed directly by mining companies. In addition, the value of annual contracts with northern companies and northern joint ventures has grown steadily, exceeding $177 million in 1999.

This Budget introduces a new Mineral Exploration Tax Credit, which will promote mineral exploration and create jobs in the North.

Tourism is another growth sector for the North. In 1998, Canadians took approximately 100,000 overnight trips in northern Saskatchewan. The provincial government has created a government-industry task team to start developing a comprehensive strategy for tourism in the North. Seventeen of the 28 members of the task team are Northerners.

The education gap between North and South is steadily narrowing. The NORTEP/NORPAC program has increased the number of Northerners being trained as teachers and enrolling in university programs. The Government is also committed to improving the math and science skills of Northern and Aboriginal people, to help them access training for nursing and other high demand health and science occupations.

The Mineral Sector Multi-Party Training Plan is helping to increase the education, skill and employment levels of Northerners involved in mining. Similar initiatives are now being implemented in the forestry sector.

The Government of Saskatchewan is committed to increasing opportunity and enhancing the quality of life for residents of northern Saskatchewan through:

- a stronger and more diversified northern economy, creating jobs and business opportunities;
- enhanced community and regional infrastructure that will promote economic development and improve northern living conditions;
- strengthen education and training in the North;
- increased community self-reliance; and,
- increased participation by Northerners in the protection of the natural environment.

Connecting to the Future

The 2001-02 Budget outlines several key initiatives to continue helping Northern people and communities connect to a bright and vibrant future. For example, the Mineral Exploration Tax Credit and funding for enhanced geoscience research will stimulate investment and create more jobs in the North.

This Budget will also improve government support of economic development in other key sectors and further improve education for people in the North. New initiatives include: $10.1 million for major road work; $8.2 million on northern capital projects investing in northern schools, hospitals, social housing, and infrastructure needs; and, an $8 million increase for forest fire detection and suppression.

Conclusion

Saskatchewan's strategy for the North is working. The northern economy improved in 2000, and there is reason to be confident that it will continue to grow and diversify in 2001-02 and beyond.

The Government's commitment to northern Saskatchewan remains strong. We will work with the people and communities of the North to address their goals and aspirations and connect to the future.

SASKATCHEWAN'S STRATEGY FOR RURAL REVITALIZATION

Introduction

Rural Saskatchewan is an excellent place to live and raise a family. It affords a quality of life that is second to none, with a clean environment and safe communities.

Rural Saskatchewan today faces many challenges that will require a co-operative effort to overcome. The Government of Saskatchewan has established a Ministry of Rural Revitalization to help develop solutions and a strategy for future success.

Rural residents have the strength, energy and creativity to seize and build upon new economic opportunities. Working with communities, provincial departments and other agencies, the Rural Revitalization Office will ensure that provincial programs and services contribute to connecting rural Saskatchewan to the future.

Saskatchewan's strategy for rural revitalization supports the Government's goal of a thriving economy that enhances the quality of life for all.

Connecting Farm Industries to the Future

The face of rural Saskatchewan is changing. As our most important rural industry – agriculture – faces the challenges of globalization, new technologies and low grain prices, producers and communities are turning to new commodities and value-added production as a means to connect with the markets of the future.

On a per capita basis, the Government of Saskatchewan provides more support for the agri-food sector than any other province, and well over three times the support provided by the federal government. Saskatchewan's expenditures in this sector were $310 per capita in 1999-00, compared to federal expenditures of $94 per capita. In addition, Saskatchewan provides significant assistance to farmers through tax exemptions and tax rebates for farm fuel, farm property, fertilizer, machinery and a wide variety of other farm inputs. Saskatchewan will continue to work with the other provinces and the federal government to ensure that this funding leverages appropriate federal support for farm programs that make sense for our producers and our province.

This Budget provides $95 million in new funding for farm sector initiatives. The 2001-02 Budget also looks to the future with new investments in key areas that will help farmers continue to adapt to change.

2001-02 Budget iniatitives include:

- new Adaptation programming that will help farmers establish alternative operations or retrain for alternative occupations;
- funding for the Agri-Food Equity Fund, which invests in Saskatchewan agri-businesses;
- a new Saskatchewan Conservation Cover Program that will provide direct payments to farm operators converting marginal lands to a perennial cover; and,
- increased investment in agricultural research and development.

Revitalizing the Rural Economy

The 2001-02 Budget will contribute to strengthening the rural economy through a number of ongoing and new initiatives.

Oil and gas industries are playing an increasingly important role in our rural economy. This Budget significantly expands geoscience research, mapping and technical data services to encourage further exploration of oil and gas. CO_2 enhanced recovery projects, as well as various tax incentives, will also help industry to expand. In addition, a new Orphan Wells Program will be introduced to ensure that oil wells and other facilities are properly decommissioned and reclaimed.

Small businesses are a key feature of rural Saskatchewan. Beginning July 1, 2001, small businesses will see their corporate income tax rate reduced from eight per cent to six per cent. In January, 2002, the annual amount of income to which the small business tax rate can be applied will increase to $300,000 from the current $200,000.

To further support community economic development, the Small Business Loans Association will make available $5 million in loans to small and medium-sized businesses across Saskatchewan. Over 80 per cent of these loans are made to companies in rural Saskatchewan.

Regional Economic Development Authorities (REDAs) are becoming increasingly effective in sustainable regional economic development. The Government of Saskatchewan remains committed to the work of these important organizations and will provide more than $2 million to REDAs this year.

The quality of life in rural Saskatchewan has tremendous potential to attract new Canadian residents. To build on that potential and help rural communities grow, the Province will enhance immigration programming. Targeted measures will focus on attracting immigrants willing to invest in Saskatchewan and those with particular skills in short supply in Saskatchewan.

Connecting Rural Communities to the Future

CommunityNet will encourage the development of enhanced Internet services to rural communities across the province. Schools, post-secondary institutions and the health sector in 366 communities will receive improved Internet and networking services. With the public sector as the anchor tenant, high-speed Internet access can be developed across Saskatchewan, allowing entrepreneurs in rural communities to plug-in, participate, communicate and compete in the new, digital economy.

Building on CommunityNet, the Province will introduce E-Government, which will provide people in rural Saskatchewan with greater access to government information and transactions.

The Government is committed to ensuring that rural students have access to the educational opportunities they need. Targeted measures within the operating grant program will support rural school divisions by increasing support for student transportation and helping to maintain quality programming.

The Government will invest $8.7 million in 2001-02 to upgrade infrastructure, provide Internet access and develop online learning resources. We will also work with rural school divisions and our education partners to assist in recruiting education specialists in rural Saskatchewan. The Budget allocates $1 million to address local teacher recruitment issues.

The expansion of community schools will also mean the creation of such schools in rural areas for the first time. Community schools receive enhanced funding to help at-risk students succeed in school. In keeping with the vision of the Role of Schools Task Force, there will be up to 15 rural community schools and up to 11 rural pre-kindergarten programs. Students who need special supports will benefit by the doubling of the number of specialized professionals supporting teachers in classrooms throughout the province.

A new E-Learning initiative will improve access to educational resources and services to school divisions in rural Saskatchewan. In addition, the virtual Saskatchewan Campus project will put post-secondary education and training courses online and provide enhanced services for learners in rural Saskatchewan.

Saskatchewan has created a new Centennial Summer Student Employment Program, which will provide summer jobs in regional parks and non-government organizations across Saskatchewan for secondary and post-secondary students planning to return to school in the fall.

This Budget makes a major investment in roads and infrastructure across the province. The new Canada-Saskatchewan Infrastructure Program will invest $9.6 million in rural capital projects. In addition, capital investments will be made through Saskatchewan's Centenary Fund. Total capital investment in roads and highways will exceed $330 million in 2001-02.

Conclusion

Despite challenges, rural Saskatchewan boasts many economic success stories. Dramatic increases in intensive livestock operations, new food processing operations and strong investment in agricultural research and biotechnology are creating diversity and growth in many regions of the province. Revitalizing rural Saskatchewan will be a key focus for this Government in the months and years ahead. Working closely with rural residents and communities, we will provide the education, transportation, technology and other investments needed to connect rural Saskatchewan to the future.

UPDATE ON PERSONAL TAX REFORM AND BUSINESS TAX REDUCTIONS

Improving Competitiveness – Building on Tax Reform

The Government of Saskatchewan is committed to improving Saskatchewan's economic climate to encourage investment and job creation. The personal tax reform plan announced in last year's Budget improved the tax system's fairness, simplicity and competitiveness and lowered personal income taxes for Saskatchewan people. For 2001, the Flat Tax, High Income Surtax and Debt Reduction Surtax have all been eliminated.

The 2001-02 Budget significantly enhances the personal tax credits available to Saskatchewan residents in support of education, the disabled and caregivers. On January 1, 2002, personal income tax rates will be further reduced and personal tax credits for seniors and families with children will be enhanced.

In addition, Saskatchewan has begun to index the tax system in 2001, and full indexation will be in place after tax reform is fully implemented in 2003.

The personal income tax reform initiative responded directly to the top concern raised by Saskatchewan businesses last year. This year's Budget addresses another key element in improving tax competitiveness – small business taxation.

The 2001-02 Budget includes a business tax package with targeted tax reductions to improve competitiveness. In response to the concerns of small business owners across the province, the small business corporate income tax rate will be cut from eight per cent to six per cent, effective July 1, 2001. Effective January 1, 2002, the annual amount of income to which the small business rate will apply will increase from $200,000 to $300,000.

This Budget also introduces tax, royalty and fee reductions that will create jobs in our resource sector. Of particular importance is the creation of a new tax credit for mineral exploration to promote exploration and development in the North.

As a new measure to attract and retain key personnel in our business community, all professionals will now be permitted to incorporate their practices.

We will continue to examine other tax reductions and incentives as they become affordable.

The new income tax system is based on a progressive three-rate tax structure on taxable income combined with:

- **a higher basic and spousal provincial tax credit amounts of $8,000;**
- **a universal provincial Child Tax Credit amount of $1,500 per child this year, rising to $2,500 per child by 2003; and,**
- **a Saskatchewan Senior Supplement providing all seniors with an additional tax credit amount of $500 this year, rising to $1,000 by 2003.**

UPDATE ON HEALTH

Meeting the Needs of Our People and Our Communities

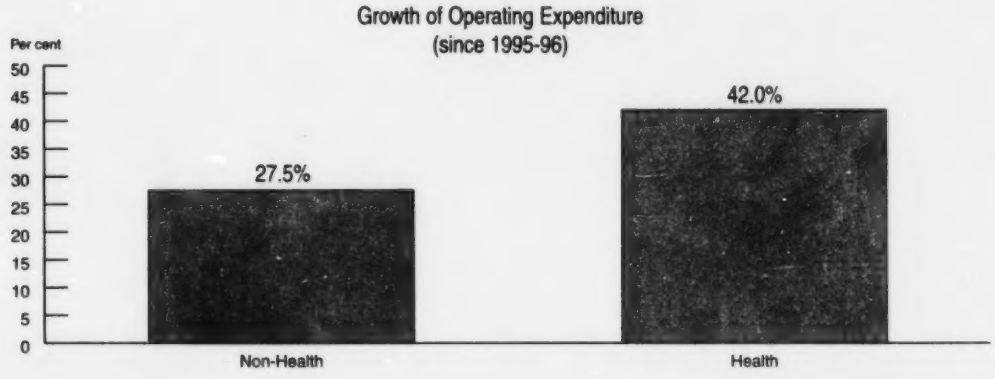
Like all Canadians, Saskatchewan people view health care as a top priority. Saskatchewan people also recognize that changes must be made in order to ensure the sustainability of public health care into the future.

Since 1995-96, health care spending in Saskatchewan has grown by 42 per cent. Overall spending on health care will total more than $2.2 billion this year, or 39 per cent of operating expenditure.

To sustain our publicly funded health care system into the future, a new balance will have to be struck between spending and services. Finding that new balance will begin with an examination of and response to the Commission on Medicare.

This Budget will maintain stable health care services in communities across the province while we work together with our partners in a collaborative manner to develop our plan for a high-quality, affordable and sustainable health care system.

The 2001-02 health budget provides a significant increase in funding for health districts. Funding levels will allow the districts to maintain current levels of service in the coming months as the Government responds to the Commission on Medicare and begins to plan the changes that will secure a sustainable health system for the future.



The 2001-02 Budget provides:

- a 22 per cent increase in the operating grant for the Saskatchewan Cancer Agency to ensure that cancer patients continue to have access to the latest treatments and therapies and to enhance existing services;

- a second air ambulance plane to ensure that residents in rural and remote areas have rapid access to emergency health services when they need it;

- expanded programs to ensure Saskatchewan children have the best possible start in life, helping them develop into healthy and productive adults; and,

- additional investments in other priority areas to enhance services and meet growing demand, including primary health services, the Prescription Drug Plan, physician services and the Saskatchewan Health Information Network.

IMPROVING FINANCIAL ACCOUNTABILITY

Since 1992, the Government of Saskatchewan has introduced a number of improvements to the presentation of financial information in order to enhance accountability. These improvements include the annual production of the Mid-year Financial Report, improved quality and earlier tabling of the Public Accounts, and the reporting requirements of the Balanced Budget Act.

One issue of continuing concern to Saskatchewan people is the debt of the Province and the interest costs associated with the debt. The technical papers included in this section clearly show how debt servicing costs compare to other expenditures. In addition, they provide a clearer focus on the portion of total debt that is supported by tax revenue, as opposed to debt incurred for Crown corporations in the normal course of business.

The majority of Saskatchewan's total debt is for government purposes. This portion of the debt has steadily decreased since 1994-95, and will continue to decline over the forecast period.

The Government also borrows on behalf of Crown corporations. Government borrowing on behalf of Crown corporations allows them to make investments in business assets and enhance services to their customers. Eighty-five per cent of Crown corporation debt is utility Crown corporation debt (SaskPower, SaskTel and SaskEnergy).

In evaluating the financial health of the Province, the utility Crown corporations' financial ratios are benchmarked against industry standards. Over the last 10 years, the utility Crown corporations have made significant progress in reducing their debt load and aligning their financial ratios with industry standards.

In the coming years, Saskatchewan's utility Crowns will be working to maintain and improve the infrastructure that provides services to Saskatchewan people. For example, SaskPower will re-power the Queen Elizabeth power plant in Saskatoon, and update its existing power generation, transmission and distribution systems. SaskTel will continue to invest in new services, such as high-speed Internet and cellular phone networks.

The Government of Saskatchewan is committed to ensuring that our Crowns can make the investments necessary to compete in an increasingly competitive commercial environment. The Government will continue to borrow on behalf of the Crowns, and it is expected that Crown corporation debt will increase as the corporations invest in order to grow and diversify.

At the same time, the Government believes it is important to continue reducing the debt that is supported by tax revenue. This decreases interest costs as a percentage of government revenue and make more public resources available for program spending and tax reduction.

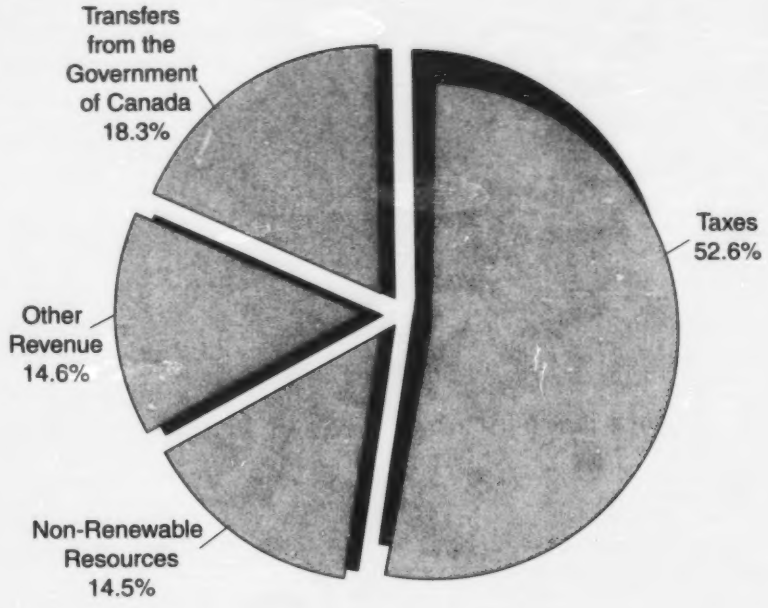
Now that the financial health of the major Crown corporations has been restored, the Government will turn its focus from total debt to government debt, continuing to reduce this portion of the debt both in absolute terms and as a percentage of GDP. This will allow Saskatchewan residents to better judge the progress being made on reducing the debt financed by their tax dollars. To ensure full accountability, progress on all aspects of debt (Crown corporation and government) will continue to be disclosed in the Budget and the Public Accounts.

In addition to the change outlined above, the 2001-02 Budget clearly shows how interest expense compares to other government spending, and the proportion of spending that is consumed by interest payments. The chart on page 41 shows the percentage of spending on interest compared to other transfers from the Government. The table on page 42 and the chart on page 50 provide the actual amount of this expenditure.

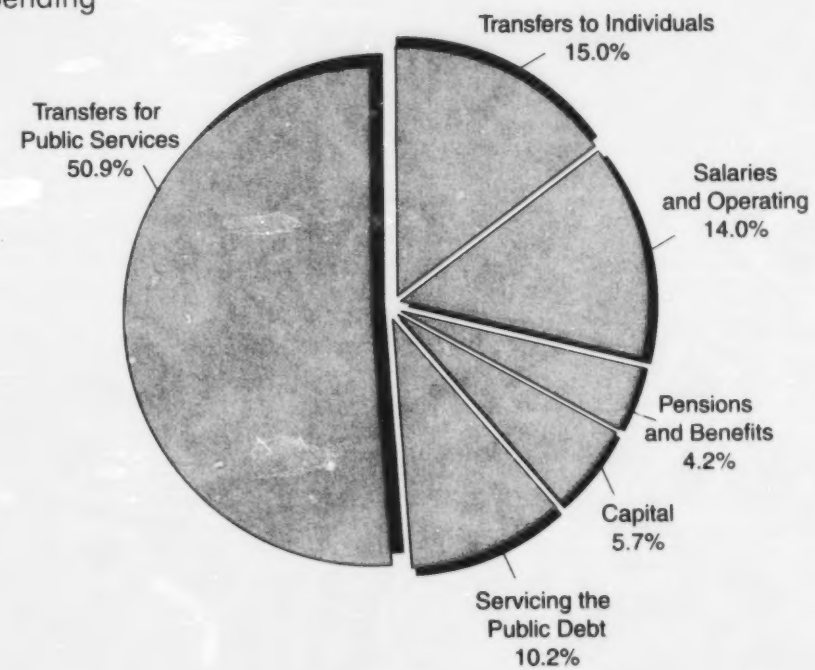
General Revenue Fund, Sources of Revenue

	Millions of Dollars	Per Cent of Total
Taxes		
Individual Income	$ 1,184.9	19.6%
Sales	795.5	13.2
Corporations	640.8	10.6
Fuel	367.7	6.1
Tobacco	124.6	2.0
Other	65.0	1.1
	$ 3,178.5	52.6%
Non-Renewable Resources		
Oil	$ 511.5	8.4%
Natural Gas	167.9	2.8
Potash	160.9	2.7
Other Minerals	37.0	0.6
	$ 877.3	14.5%
Other Revenue		
Dividends	$ 557.7	9.2%
Motor Vehicles	112.7	1.9
Charges for Services	69.2	1.2
Licences and Permits	47.5	0.8
Other	91.0	1.5
	$ 878.1	14.6%
Total Own-Source Revenue	**$ 4,933.9**	**81.7%**
Transfers from the Government of Canada		
Canada Health and Social Transfer	$ 594.0	9.8%
Equalization	377.0	6.2
Other Transfers	136.8	2.3
	$ 1,107.8	**18.3%**
Total Revenue	**$ 6,041.7**	**100.0%**

GRF: Sources of Revenue



GRF: Distribution of Spending


Transfers to Individuals 15.0%
Transfers for Public Services 50.9%
Salaries and Operating 14.0%
Pensions and Benefits 4.2%
Capital 5.7%
Servicing the Public Debt 10.2%

General Revenue Fund, Distribution of Spending

	Millions of Dollars	Per Cent of Total
Transfers for Public Services		
District Health Services	$ 1,354.6	21.5%
Medical and Health Services and Support	597.6	9.5
Schools	473.3	7.5
Post-Secondary Education and Skills Training	366.4	5.8
Municipalities	83.6	1.3
RCMP Services	77.7	1.2
Economic Development and Jobs	62.5	1.0
Agricultural Support	52.1	0.8
Forest Fire Contingency Fund	40.0	0.6
Family and Youth Services	37.1	0.6
Gaming Funds	24.9	0.4
Other	40.3	0.7
	$3,210.1	50.9%
Transfers to Individuals		
Income Support, Housing and Other Assistance	$ 361.5	5.8%
Agricultural Support	246.3	3.9
Prescription Drug Plan	115.0	1.8
Student Aid and Training	77.2	1.2
Family and Youth Services	49.9	0.8
Community Living	45.9	0.7
Treaty Land Entitlements	21.2	0.4
Other	26.3	0.4
	$ 943.3	15.0%
Salaries and Operating		
Income Support and Assistance	$ 145.4	2.3%
Highway Maintenance and Operations	141.1	2.3
Courts, Jails and the Justice System	140.2	2.2
Parks, Forests and Natural Resources	133.1	2.1
Health and Education Administration	127.9	2.0
Internal Government Departments	88.6	1.4
Agriculture and Economic Development	60.1	1.0
Other	46.7	0.7
	$ 883.1	14.0%
Pensions and Benefits		
Public Service	$ 174.0	2.7%
Teachers	92.2	1.5
	$ 266.2	4.2%
Capital		
Construction of Transportation Systems	$ 168.7	2.7%
Post-Secondary and Schools	54.0	0.8
Health	48.3	0.8
Municipalities	30.5	0.5
Centenary Fund	30.0	0.5
Asset Renewal	14.7	0.2
Other	13.2	0.2
	$ 359.4	5.7%
Servicing the Public Debt	$ 640.5	10.2%
Total Expenditure	**$ 6,302.6**	**100.0%**

SASKATCHEWAN'S ECONOMIC OUTLOOK

Introduction

Saskatchewan's economy improved significantly in 2000 due to brisk demand in the United States and Canada, as well as the rapid rise in oil and natural gas prices. According to a preliminary estimate, the province's real Gross Domestic Product (GDP) increased by 3.4 per cent.

Production and exports of energy products, oil and gas drilling, manufacturing shipments and wholesale and retail trade all grew substantially compared to 1999.

Both Canadian and U.S. growth rates are projected to slow in 2001 and oil prices are expected to decline. However, interest rate reductions and personal and business tax cuts will help keep Saskatchewan's growth rate on a positive track.

Economic Conditions in the United States and Canada

The weakness in the U.S. economy that began in the third quarter of 2000 is expected to continue in the first half of 2001. However, the U.S. economy is anticipated to be stronger in the second half.

In all, U.S. growth is anticipated to decline from 5.0 per cent last year to 2.1 per cent in 2001 and return to the four per cent range in the 2002 to 2005 period.

The U.S. slowdown and corresponding weakening of Canadian exports will reduce Canada's growth rate in 2001 to 2.8 per cent. Canadian growth is expected to follow the improvement in U.S. growth for the remainder of the forecast period.

Interest rates have started to come down in response to the weakening U.S. and Canadian economies. Further interest rate reductions are expected in the near term.

United States and Canadian Economic Outlook

	2000	2001	2002	2003	2004	2005
U.S. Real GDP Growth (%)	5.0	2.1	4.0	4.8	4.0	3.8
Canadian Real GDP Growth (%)	4.7	2.8	3.2	4.2	3.4	3.4
Canadian Inflation Rate (%)	2.7	2.6	1.2	1.4	1.7	2.1
Canadian Short-term Interest Rates (%)	5.4	5.0	4.8	5.3	5.6	5.8
Canadian Long-term Interest Rates (%)	7.2	6.6	6.7	7.1	7.5	7.6
Canadian Dollar (U.S. cents)	67.4	67.8	68.8	71.0	72.8	73.4

Commodity Prices

Oil prices have declined in recent months. The U.S. dollar price for a barrel of West Texas Intermediate oil is projected to average $25.50 in 2001 and about $23.00 in the 2002 to 2005 period.

Low inventory levels and strong demand pushed natural gas prices up in 2000. Natural gas prices are expected to remain strong in 2001 and decrease in the 2002 to 2005 period.

Potash prices are projected to decline through 2003 before gradually rising to the end of the forecast period.

Wheat and barley prices are expected to increase at moderate but steady rates over the next few years, whereas canola prices are projected to decline in 2001 and rise in the remainder of the forecast period.

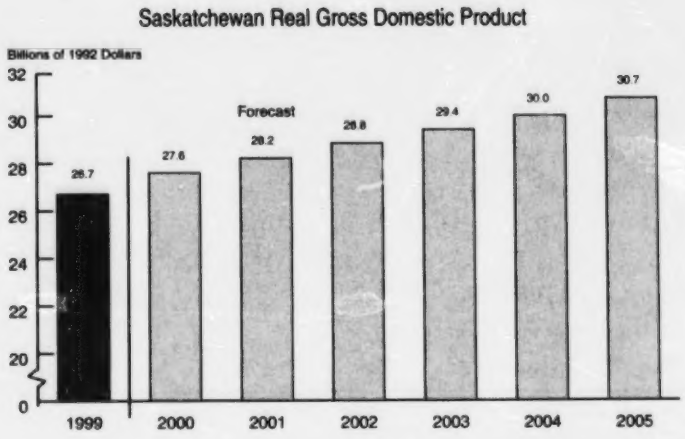
Price Forecasts for Selected Commodities

	2000	2001	2002	2003	2004	2005
WTI Oil (U.S.$/barrel)	30.26	25.50	23.00	23.00	23.39	23.76
Natural Gas (C$/GJ)	4.48	5.86	3.39	2.91	2.91	2.91
Potash (C$/tonne)	197.20	197.10	194.00	189.70	190.50	191.00
Wheat (C$/tonne)	127.25	146.59	149.33	151.91	155.10	156.16
Barley (C$/tonne)	122.71	129.82	136.08	139.68	144.87	147.89
Canola (C$/tonne)	231.94	225.66	240.05	257.13	267.41	280.10

The Economic Outlook for Saskatchewan

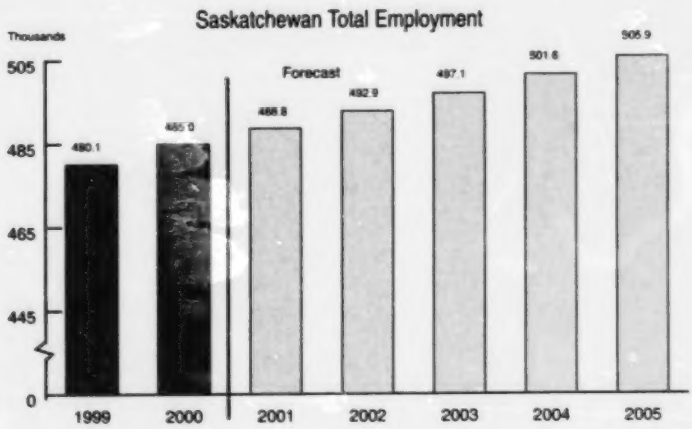
Tax cuts at both the provincial and federal levels, along with lower interest rates, will boost consumer spending and investment and help sustain annual growth rates of 2.2 per cent in 2001 and 2002.

On average, private economic forecasters project real GDP growth of 2.7 per cent for 2001 and 2.9 per cent for 2002.



Employment growth in the province is expected to moderate from 4,900 jobs in 2000 to 3,800 in 2001 and 4,100 in 2002.

Private sector forecasting agencies project Saskatchewan's employment level to rise by 4,400 in 2001 and 5,400 in 2002.



Saskatchewan's Medium-term Economic Outlook

	2000	2001	2002	2003	2004	2005
Real GDP (% Change)	3.4	2.2	2.2	2.0	2.0	2.5
Nominal GDP (% Change)	9.9	1.7	2.5	3.3	3.3	4.5
Consumer Price Index (% Change)	2.6	1.9	1.8	1.8	1.9	1.9
Employment Level (Thousands)	485.0	488.8	492.9	497.1	501.6	505.9
Unemployment Rate (%)	5.2	5.2	5.2	5.3	5.3	5.3
Personal Income (% Change)	4.9	2.2	1.6	2.6	3.8	3.9
Personal Disposable Income (% Change)	5.0	2.4	1.8	2.8	3.9	4.1
Retail Trade (% Change)	4.9	4.3	3.3	2.5	2.5	2.7

Risks and Opportunities

This forecast is based on a soft landing scenario. Annual growth in both Canada and the U.S. will be modest, but positive, in 2001. The most significant risk to economic growth and job creation in Saskatchewan is a severe and prolonged economic downturn in the U.S. or Canada.

The economic forecast assumes an average crop in both quantity and quality through to 2005. A bad crop would detract from annual growth, while a good crop would add to growth.

Commodity prices are volatile. Saskatchewan's economy would under-perform the forecast if these prices prove to be lower than assumed. Conversely, economic growth would improve if prices were higher than assumed.

SASKATCHEWAN'S FINANCIAL OUTLOOK

Introduction

The 2001-02 Budget delivers balanced budgets, strengthens and enhances services to the public, reduces taxes for small businesses and continues the personal tax reform introduced in the 2000-01 Budget.

Transfers to the Fiscal Stabilization Fund (FSF) at the end of 2000-01 are fully allocated, leaving the balance at the target level by 2003-04.

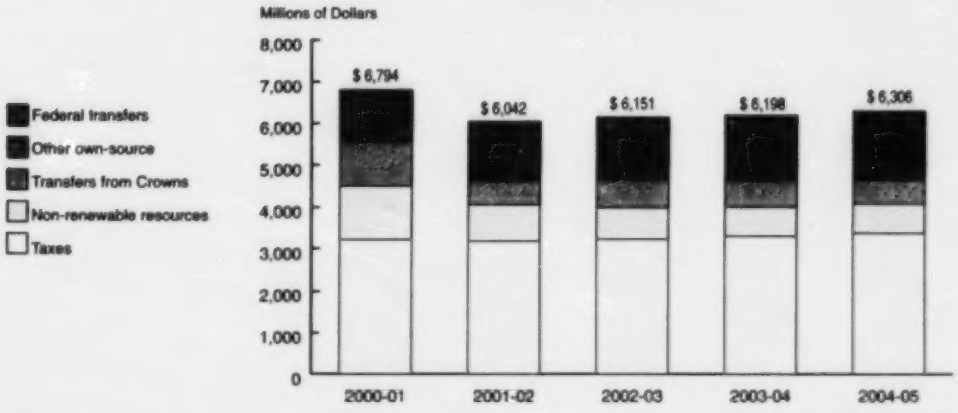
Government debt will fall throughout the medium term. The corresponding debt-to-GDP ratio is expected to decline from 26.1 per cent at the end of 1999-00 to 20.6 per cent by the end of 2004-05.

Revenue

Total revenue is projected to be $6.79 billion in 2000-01, including the final Saskatchewan Liquor and Gaming Authority (SLGA) retained earnings dividend of $700 million.

Total revenue is forecast to fall by more than $750 million to $6.04 billion in 2001-02 and then grow at an average annual rate of 1.4 per cent, reaching $6.31 billion in 2004-05.

GRF Revenue Forecast



Tax revenue is expected to grow at an average annual rate of 2.0 per cent over the medium term. Natural revenue growth from a growing economy is partially offset by tax measures introduced in the 2000-01 Budget and the business tax reductions introduced in the 2001-02 Budget.

Non-renewable resource revenue is expected to decline from $877 million in 2001-02 to $707 million in 2004-05 as both oil and natural gas prices move towards historical levels.

The U.S. dollar price for a barrel of West Texas Intermediate oil, which averaged $30.26 in 2000, is projected to decline to $25.50 in 2001 and $23.00 in 2002, and remain near that level throughout the medium term. The Canadian dollar price for a gigajoule of natural gas, which averaged $4.48 in 2000, is expected to rise to $5.86 in 2001, decline to $3.39 in 2002 and remain near three dollars thereafter.

Transfers from Crown entities – primarily dividends from the Crown Investments Corporation of Saskatchewan and the SLGA – are expected to grow at an average annual rate of 0.9 per cent from 2001-02 to 2004-05.

Canada Health and Social Transfer (CHST) payments are expected to increase, pursuant to the federal commitment following the September 2000 First Ministers' Agreement on health renewal and early childhood development. In addition, declining non-renewable resource revenue will be partially offset by equalization.

Overall, transfers from the federal government are expected to grow at an average annual rate of 5.9 per cent over the medium term.

Operating Expenditure

Operating expenditure is projected to be $5.29 billion in 2000-01, growing by 7.0 per cent to $5.66 billion in 2001-02, including $243 million in spending on exceptional items.

Ongoing operating expenditure, which is projected to be $5.42 billion in 2001-02, is expected to grow at an average annual rate of 1.4 per cent over the medium term, reaching $5.65 billion in 2004-05.

Health spending grew from 34 per cent of operating spending at the beginning of the 1990s to almost 39 per cent in 1999-00.

Education spending (including both kindergarten to grade 12 and post-secondary) remained relatively constant at about 20 per cent of operating spending throughout the 1990s.

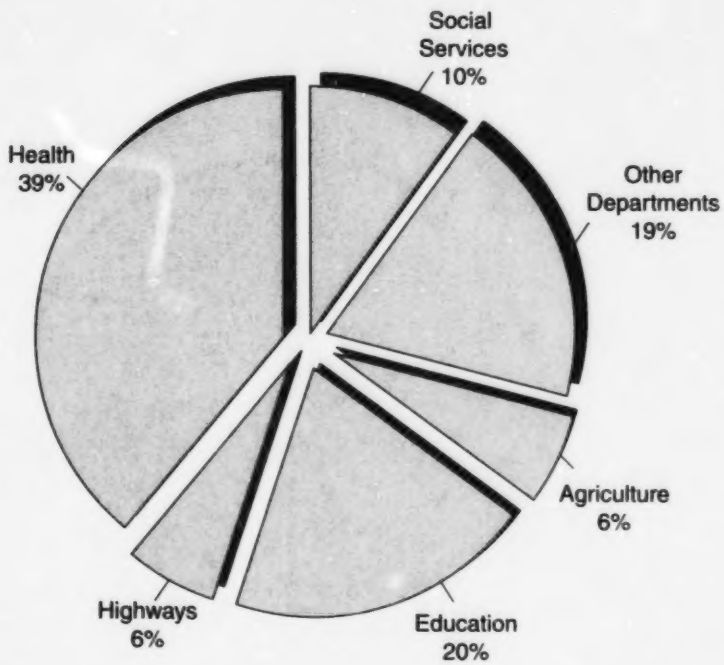
Highways spending represented between four and five per cent of operating spending through the 1990s.

2001-02 Exceptional Spending

- $95 million for farm sector initiatives and $25 million for the second year of agricultural property tax relief;
- $43 million for the 2001-02 portion of the $150 million highways renewal program;
- $40 million to establish a forest fire contingency fund;
- $30 million for the 2001-02 component of the Centenary Fund; and,
- $10 million for energy credit.

Planned operating spending allocations in the 2001-02 Budget are illustrated in the chart below.

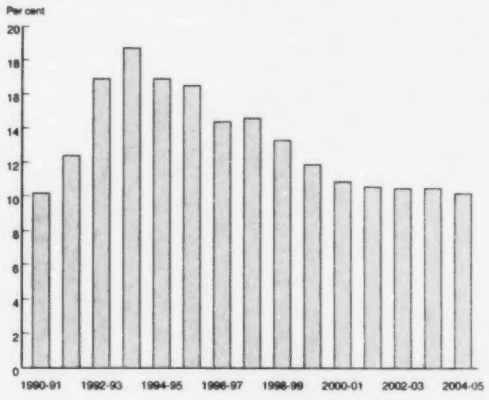
Composition of Operating Expenditure
2001-02



Interest Costs

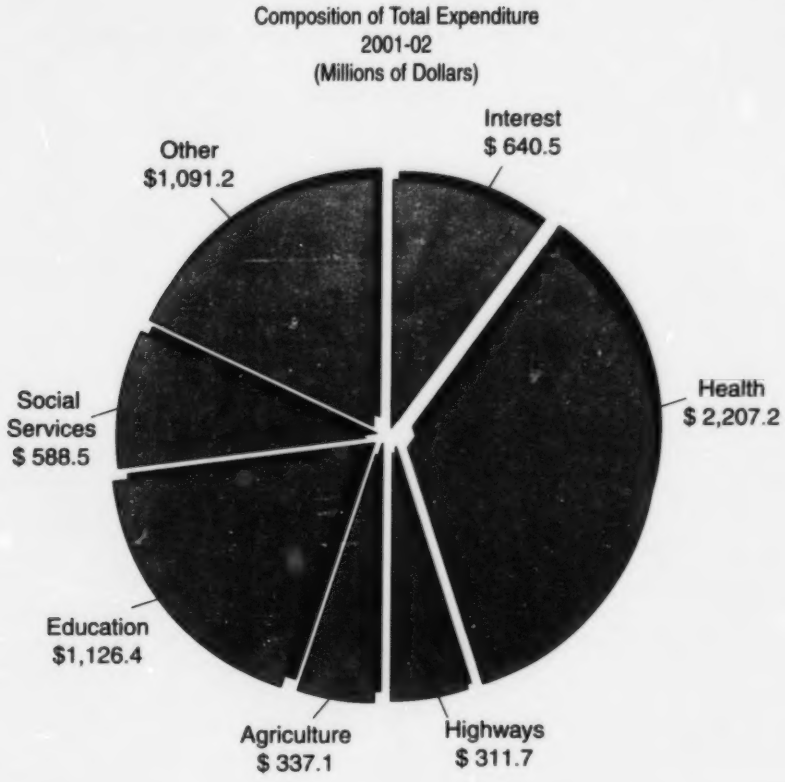
Interest costs have been reduced from a peak of $882 million in 1994-95 to $664 million in 2000-01. Interest costs are expected to remain relatively constant over the medium term, consuming approximately 10.5 per cent of revenue over the forecast period.

Interest Costs as a Per Cent of Revenue



Total Expenditure

In 2001-02, total spending is projected to be $6.30 billion, composed of $5.66 billion in operating spending and $0.64 billion in interest costs.



Fiscal Stabilization Fund

The FSF protects programs from revenue volatility and allows the allocation of windfall revenue to multi-year initiatives, such as the Centenary Fund and highways renewal.

It is expected that $775 million will be transferred to the FSF at the end of 2000-01. Over the next three years, $472 million will be used to fund exceptional spending.

FSF Transfers

- $263.7 million will be transferred from the FSF to the GRF in 2001-02, leaving a balance of $511.3 million at the end of the year.
- $100.7 million will be transferred to the GRF in 2002-03, leaving a balance of $410.6 million at the end of the year.
- $107.6 million will be transferred to the GRF in 2003-04, leaving a balance of $303.0 million or 5 per cent of the previous year's revenue.

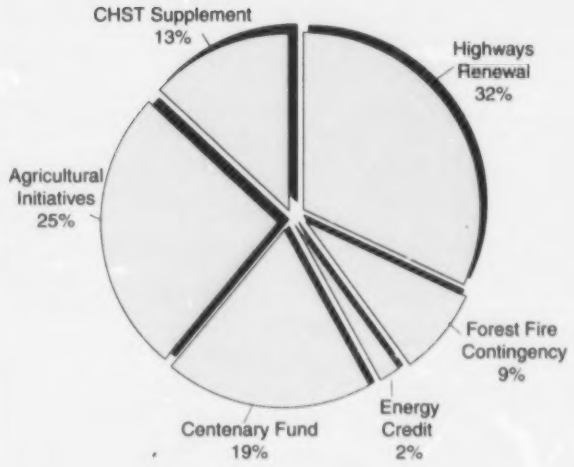
Fiscal Stabilization Fund Forecast

(Millions of Dollars)	2000-01	2001-02	2002-03	2003-04	2004-05
Beginning Balance	$ 0.0	$ 775.0	$ 511.3	$ 410.6	$ 303.0
Transfer from GRF	775.0	--	--	--	7.0
Transfer to GRF:					
Centenary Fund	--	(30.0)	(30.0)	(30.0)	--
Agricultural Property Tax Relief	--	(25.0)	--	--	--
CHST Supplement	--	(20.7)	(20.7)	(20.6)	--
Highways Renewal	--	(43.0)	(50.0)	(57.0)	--
Farm Sector Initiatives	--	(95.0)	--	--	--
Forest Fire Contingency Fund	--	(40.0)	--	--	--
Energy Credit	--	(10.0)	--	--	--
Ending Balance	**$ 775.0**	**$ 511.3**	**$ 410.6**	**$ 303.0**	**$ 310.0**
Share of Previous Year's Revenue	**13%**	**8%**	**7%**	**5%**	**5%**

The $472 million in FSF transfers to the GRF will be used as follows:

- $150 million over three years for highways renewal;
- $95 million for farm sector initiatives;
- $90 million – $30 million each year for three years – for the Centenary Fund;
- $62 million to move the CHST supplement to the appropriate years;
- $40 million to establish a forest fire contingency fund;
- $25 million for agricultural property tax relief; and,
- $10 million for energy credit.

Distribution of FSF Spending
(2001-02 to 2003-04)



Budget Balance

The Budget is projected to be balanced throughout the medium term.

General Revenue Fund Financial Outlook

(Millions of Dollars)	2000-01	2001-02	2002-03	2003-04	2004-05
Revenue	$ 6,793.9*	$ 6,041.7	$ 6,150.6	$ 6,198.4	$ 6,305.7
Less Operating Spending:					
– Ongoing	5,235.9	5,419.1	5,525.3	5,567.4	5,650.0
– Exceptional	55.0	243.0	80.0	87.0	0.0
Operating Surplus	$ 1,503.0	$ 379.6	$ 545.3	$ 544.0	$ 655.7
Less Interest	663.5	640.5	643.1	649.4	646.1
Transfers (to) from FSF	(775.0)	263.7	100.7	107.6	(7.0)
Budget Balance	**$ 64.5**	**$ 2.8**	**$ 2.9**	**$ 2.2**	**$ 2.6**

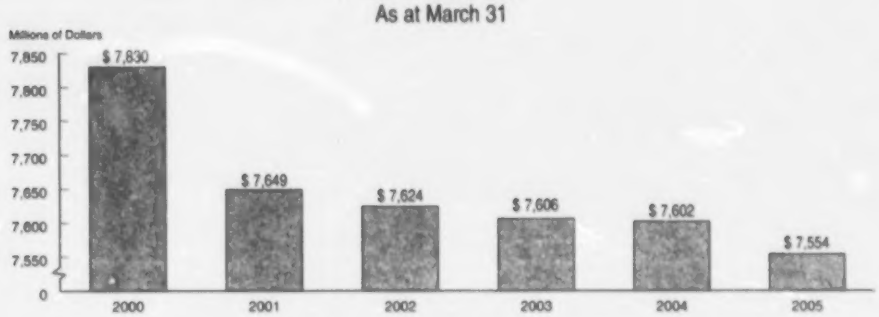
* Includes final SLGA retained earnings of $699.8 million

Government Debt

Government debt is projected to decline from $7.83 billion at March 31, 2000 to $7.65 billion at March 31, 2001, and continue falling over the medium term.

Government debt as a share of GDP is expected to fall from 26.1 per cent at March 31, 2000 to 23.2 per cent at March 31, 2001, and continue declining to 20.6 per cent at March 31, 2005.

Government Debt
As at March 31

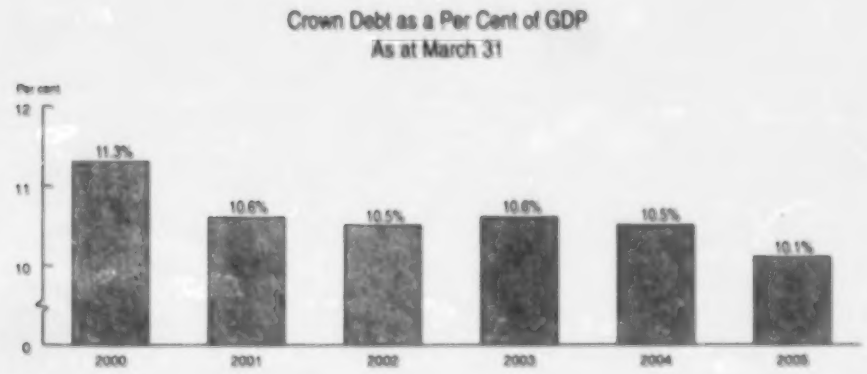


Government Debt as a Per Cent of GDP
As at March 31

Crown Debt

Crown corporation debt is projected to rise from $3.4 billion at March 31, 2000 to $3.5 billion at March 31, 2001, and gradually rise to $3.7 billion over the medium term.

Crown corporation debt as a share of GDP is expected to fall from 11.3 per cent at March 31, 2000 to 10.6 per cent at March 31, 2001, and continue declining to 10.1 per cent at March 31, 2005.



2001-02 REVENUE INITIATIVES

Introduction

The 2000-01 Saskatchewan Budget presented a four-year plan to promote continued growth and opportunity through a competitive personal tax structure for the province. This year's Budget builds on the plan by enhancing personal income tax reform, and by introduing business tax reductions and incentives.

This paper describes the revenue initiatives introduced in the 2001-02 Budget.[1]

Update on Personal Tax Reform

On January 1, 2001 the Government of Saskatchewan simplified the determination of provincial personal income tax. The Flat Tax, the Debt Reduction Surtax, the High Income Surtax and the Saskatchewan Tax Reduction have all been eliminated. Provincial tax is now determined by applying provincial tax rates directly to taxable income and then deducting provincial tax credits.

Provincial tax credits generally parallel the existing federal credits. However, the provincial basic and spousal credit amounts are increased to $8,000. The new provincial tax system also introduces a $500 senior supplement to the age amount and a $1,500 dependent child amount. These credits are in addition to provincial tax credits for seniors, the disabled, caregivers, Canada Pension Plan and Employment Insurance contributions, pension income, student loan interest, tuition fees, education amounts, medical expenses and charitable donations.

For each of the 2002 and 2003 taxation years, provincial income tax rates will be further reduced and the senior supplement and dependent child credit amounts will be increased, as the new tax structure is phased in.

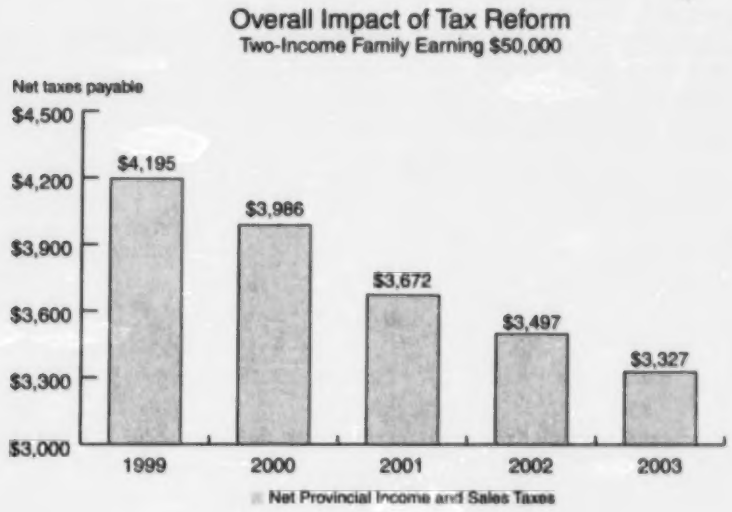
Saskatchewan's Personal Income Tax System

	2001	2002	2003
Income Tax Rates (on taxable income)	11.5% on first $30,000 13.5% on next $30,000 16.0% on remainder	11.25% on first $30,000 13.25% on next $30,000 15.5% on remainder	11.0% on first $35,000 13.0% on next $65,000 15.0% on remainder
Special Tax Credit Amounts			
Basic / Spousal	$ 8,000	$ 8,000	$ 8,000
Senior Supplement	$ 500	$ 750	$ 1,000
Dependent Children	$ 1,500/child	$ 2,000/child	$ 2,500/child

[1] This paper presents a summary of revenue initiatives. For more precise information, contact the appropriate department or consult the amending legislation.

The multi-year tax reform initiative, announced in the 2000-01 Budget, delivers meaningful tax relief to Saskatchewan residents. The introduction of higher personal tax credit amounts removes about 55,000 lower income earners from the income tax rolls. The new dependent child credit will provide significant income tax reductions for families with children.

For example, tax reform will save an average family $868 in 2003. This saving is based on a sales tax increase of $139 and an income tax reduction of $1,007.



Enhancements to Personal Tax Reform

As a way of ensuring continued access to post-secondary education and training, the income tax system provides tax assistance to post-secondary students through the tuition and education tax credits. The tuition tax credit recognizes the actual post-secondary tuition costs incurred by students. The education tax credit helps to defray the non-tuition costs of post-secondary education and training, such as living expenses, textbooks and other supplies.

In recognition of rising non-tuition costs, the Government is increasing Saskatchewan's education tax credit amount to $400 per month of full-time study and $120 per month of part-time study, effective for the 2001 taxation year. This tax credit is available to the student or it may be transferred to a supporting parent or spouse.

The Government is also enhancing the income tax system's recognition of caregivers and persons with disabilities, effective for the 2001 taxation year. Saskatchewan's disability tax credit provides tax assistance to individuals with severe and prolonged disabilities. This tax credit may be claimed by the individual or transferred to a spouse or other supporting person. Specific tax credits may also be claimed by caregivers of elderly parents, grandparents or infirm dependent relatives.

2001 Provincial Tax Credit Amounts

	Pre-Budget	Enhanced
Education tax credit amounts:		
Full-time study	$200/month	$400/month
Part-time study	$60/month	$120/month
Disability tax credit amount	$4,400	$6,000
Disability suppiement amount	$3,015	$3,500
Caregiver tax credit amount	$2,446	$3,500
Infirm dependant amount	$2,446	$3,500

Indexation of the Personal Income Tax System

The 2000-01 Budget also announced that Saskatchewan's personal income tax system would be fully indexed to inflation once the phase-in of the new tax structure was complete. In the interim, the phase-in period includes reductions to Saskatchewan's personal income tax rates, an expansion of the provincial income tax brackets and increases to the special Saskatchewan tax credit amounts in support of the family.

The 2000 federal Budget announced that several federal tax credit amounts are now fully indexed to changes in the national consumer price index (CPI). In order to ensure that provincial tax credit amounts will match the corresponding federal amounts, the provincial amounts will also be fully indexed to the national CPI as of January 1, 2001. Indexation of the income tax brackets and special Saskatchewan tax credit amounts will begin in 2004, once tax reform is fully implemented.

2001 Non-Refundable Tax Credit Amounts

	Saskatchewan	Federal
Personal amounts		
Basic personal amount	$8,000	$7,412
Spousal/Equivalent amount	$8,000	$6,294
Dependent child amount	$1,500	n/a
Senior supplement	$500	n/a
Age amount	$3,619	$3,619
Net income threshold	*$26,941*	*$26,941*
Disability amount	$6,000	$6,000
Disability supplement	$3,500	$3,500
Caregiver amount	$3,500	$3,500
Net income threshold	*$11,953*	*$11,953*
Infirm dependant amount	$3,500	$3,500
Net income threshold	*$4,966*	*$4,966*
Medical expense tax credit 3 per cent of net income ceiling	$1,637	$1,637
Other amounts		
Pension income maximum	$1,000	$1,000
Education amounts	$120/$400	$120/$400
Charitable gifts threshold	$200	$200
CPP/EI contributions	actual amount	actual amount
Tuition fees	actual amount	actual amount
Student loan interest	actual amount	actual amount

Small Business Tax Measures

Small businesses have traditionally provided the largest share of new jobs created in the province. The Government is committed to encouraging growth in small business development by improving the general climate for business investment. Last year, the business community emphasized the need for personal income tax reductions and the Government responded. The following initiatives build on last year's personal tax reform and will improve the competitiveness of Saskatchewan's small businesses.

Small Business Rate Reduction – Effective July 1, 2001, the small business corporation income tax rate will be reduced to six per cent from the current eight per cent. For administrative purposes, this translates into an effective tax rate of seven per cent as of January 1, 2001 and six per cent as of January 1, 2002.

Increased Small Business Threshold – Effective January 1, 2002, the annual amount of income to which the small business tax rate can be applied will increase to $300,000 from the current $200,000. In addition, the Government will join with private sector associations to encourage the federal government to also raise this income threshold for federal tax purposes.

Professional Incorporation – Last year, the Government acted to promote the attraction and retention of physicians by allowing them to incorporate their professional practices. To address competitive issues with other self-employed individuals and with professionals located in other jurisdictions, the right to incorporate is now being extended to all regulated professionals. This initiative will in no way limit professional liability.

For further information regarding professional incorporation, please contact Saskatchewan Justice at 306-787-8389.

Non-Renewable Resource Incentives

Mineral Exploration Tax Credit – Retroactive to October 18, 2000, Saskatchewan is introducing a new temporary, non-refundable 10 per cent tax credit for individuals on their purchases of flow-through shares of eligible mineral exploration companies. This credit parallels a new 15 per cent federal tax credit in support of mineral exploration.

The new provincial credit creates a combined 25 per cent tax credit for eligible investments in mineral exploration activity in Saskatchewan. The Saskatchewan credit will sunset concurrently with the federal credit on December 31, 2003.

This initiative is designed to encourage increased exploration for new commercial mineral deposits in the province, which in turn is expected to lead to the development of new mines and the creation of new jobs in northern Saskatchewan.

For further information and application forms, please contact Saskatchewan Energy and Mines at 306-787-2560.

Incentives for Carbon Dioxide-based Enhanced Oil Recovery Projects – Effective midnight Budget night, Saskatchewan is introducing measures to encourage enhanced oil recovery (EOR) projects which use carbon dioxide (CO_2) injection for oil recovery in the province. These measures are patterned after the incentives provided to PanCanadian Petroleum Limited and its partners in June 1997 for their pioneering investment in a CO_2 EOR project near Weyburn.

The new incentives will include a special low rate of Crown royalties and production taxes on oil produced from eligible projects, and an exemption from Provincial Sales Tax on all purchases of CO_2 for use in eligible projects. This initiative is designed to encourage capital investment in oil pools that are experiencing declining production rates, thus prolonging their useful life and maintaining and expanding oilfield jobs in Saskatchewan. An environmental benefit of this initiative is that it encourages the sequestering of a greenhouse gas deep underground.

For further information, please contact Saskatchewan Energy and Mines at 306-787-2605.

Sodium Sulphate Capital Incentive – Effective April 1, 2001, Saskatchewan is introducing a new capital incentive for the sodium sulphate industry that will promote investment in more efficient production technologies.

The capital incentive is set at 40 per cent of approved capital expenditures, credited against royalties each year with indefinite carryforward of unused amounts. Approval of each project is at the discretion of the Minister of Energy and Mines.

This incentive will help to ensure the long-term future of the industry in Saskatchewan, preserving the investment and jobs associated with sodium sulphate production.

For further information, please contact Saskatchewan Energy and Mines at 306-787-2469.

Other Initiatives

Political Contribution Tax Credit – Effective January 1, 2001, donors to qualifying political parties or election candidates will be eligible to claim a provincial tax credit against Saskatchewan personal or corporate income taxes payable.

The Political Contribution Tax Credit will be calculated as 75 per cent of the first $200 donated, 50 per cent of the next $350 donated and one-third of the next $525 donated. The maximum tax credit available to a donor per year is $500, which applies to donations of at least $1,075. The tax credit is non-refundable and non-transferable. Unused amounts may not be carried forward to subsequent taxation years.

For further information, please contact the Saskatchewan Electoral Office at 306-787-4000.

Refund Set-Off Program – In 1992, the Canada Customs and Revenue Agency (then Revenue Canada) implemented a Refund Set-Off (RSO) program under which personal income tax refunds are set off against amounts owed to the federal government, such as outstanding tax debts and defaulted maintenance payments or student loans. When such a debt exists, the program allows an income tax refund to be applied to the debt instead of being paid to the individual.

A number of provincial jurisdictions now participate in the federal RSO program to recover debts owed to provincial programs, such as defaulted maintenance payments, outstanding student loans and social assistance overpayments. Saskatchewan is investigating potential opportunities to participate in the RSO program.

Saskatchewan Film Employment Tax Credit – The Government of Saskatchewan introduced the Film Employment Tax Credit in 1998 to assist Saskatchewan's film industry in creating new employment opportunities for Saskatchewan residents involved in this industry.

In order to develop the necessary level of expertise in Saskatchewan's film industry, salaries paid to non-residents who provide training to Saskatchewan residents on film projects are eligible for the credit. This provision, which was originally set to expire at the end of 2001, is being extended to December 31, 2003.

For further information, please contact Saskatchewan Culture, Youth and Recreation at 306-787-5755.

Technical Adjustments

The PST and Real Estate Commissions on New Home Sales – As part of the Provincial Sales Tax (PST) changes introduced in the 2000-01 Budget, real estate commissions became subject to the PST.

Following the consideration of a submission from the Saskatchewan Real Estate Association and the Saskatchewan Home Builders' Association, the Government is refining the definition of taxable real estate commissions to ensure equitable PST treatment of all sales of newly constructed homes. Effective midnight Budget night, the PST will not apply to real estate commissions applicable to new home sales by licensed real estate agents. Any offer to purchase accepted after midnight Budget night will not be taxable.

For further information, please contact the Revenue Division of Saskatchewan Finance at 306-787-6645 or 1-800-667-6102.

Taxation of Recovered Crude Oil – Saskatchewan is amending *The Freehold Oil and Gas Production Tax Act* to clarify the legal authority for the current practice of levying a royalty or tax on recovered crude oil in Saskatchewan. Recovered crude oil is oil which has been recovered from an oilfield disposal or processing site and subsequently sold on the market, and upon which no Crown royalty or freehold production tax has previously been paid.

For further information, please contact Saskatchewan Energy and Mines at 306-787-2605.

SaskTel Cost Structure – As a result of SaskTel becoming regulated by the Canadian Radio-television and Telecommunications Commission, the Government is introducing a technical amendment to *The Corporation Capital Tax Act* to enable SaskTel to maintain its existing rate structure for services offered to its competitors.

This amendment replaces a corporate income tax cost factor with a corporate capital tax cost factor as an element in SaskTel's rate structure and is strictly a technical change that will not result in rate increases for any SaskTel customers. As a collateral benefit, this amendment will substantially reduce any competitive advantage SaskTel derives from being exempt from provincial income tax as a Saskatchewan Crown corporation.

For further information, please contact SaskTel at 306-777-5125.

For further information on the personal income tax reductions, the small business tax reductions and the refund set-off program, please contact:

Saskatchewan Finance
Taxation and Intergovernmental Affairs
2350 Albert Street
Regina, Saskatchewan S4P 4A6

Telephone: 306-787-6722

SASKATCHEWAN'S TAX EXPENDITURES

Introduction

Although the primary purpose of taxation is to raise revenue, governments also attain some of their social and economic goals by reducing the taxes paid by certain taxpayers. These reductions are commonly called "tax expenditures" and include such measures as exemptions, deductions, tax credits, preferential tax rates, deferrals or omissions. Each provides special or preferential treatment to certain taxpayers or to certain types of activity. Taken together, they provide assistance to a variety of individuals and businesses, including families, farmers, senior citizens and small businesses.

While tax expenditures are usually absorbed in the overall revenue estimates and are not presented in the same way as direct spending programs, they reduce the amount of revenue generated by a government and affect a government's fiscal position in the same way as direct expenditures.

The Rationale for Tax Expenditures

Tax expenditures can achieve a number of objectives, such as enhancing the fairness of the tax system or promoting certain types of economic activity. In pursuing these objectives, some tax expenditures have become fundamental elements of the tax system.

Beginning in 2001, Saskatchewan's personal income tax shifted from a complex system of taxes, surtaxes and a low income reduction to a simplified tax structure applied to taxable income as defined for federal income tax purposes. Deductions that contribute to the federal determination of taxable income, such as the deduction for Registered Retirement Savings Plan contributions, continue to affect Saskatchewan income tax revenue. The impacts of several of these deductions are estimated in this paper.

The Government of Saskatchewan has improved the fairness of its personal income tax system by introducing a progressive three-rate tax structure on taxable income, along with increases in provincial non-refundable tax credits. Provincial tax credits generally parallel federal credits, except that Saskatchewan has increased its basic and spousal amounts to $8,000. In addition, the new provincial tax system introduces a $500 supplement to the age amount and a $1,500 per dependent child amount. This paper also provides estimates of the revenue impacts of several of these provincial non-refundable tax credits.

To improve the distribution of corporate taxes, Saskatchewan levies a lower income tax rate on small businesses and a capital tax on larger corporations. The effective small business corporate income tax rate of seven per cent for 2001 is less than half the general corporate income tax rate of 17 per cent. The $10 million exemption from Saskatchewan's capital tax ensures that only the largest corporations in the province are subject to the tax. As a result, only about 1,300 of the approximately 30,000 corporations operating in Saskatchewan file Saskatchewan capital tax returns annually.

To promote economic activity and create jobs, the corporate income tax rate on manufacturing and processing (M&P) profits is reduced by up to seven percentage points, depending upon the level of business activity in the province. Saskatchewan also provides an investment tax credit to assist M&P companies which invest in qualifying new or used M&P assets for use in Saskatchewan.

In recognition of the importance of agriculture to Saskatchewan, the Province provides tax-free treatment to farm-use diesel fuel, through a fuel-colouring program, and farm-use gasoline when purchased in bulk. In addition, Saskatchewan continues to provide an annual gasoline tax rebate to farmers for agricultural use of gasoline that is not purchased tax-free in bulk.

Saskatchewan's Provincial Sales Tax (PST) does not apply to certain basic items such as food, home heating fuel, residential electricity, children's clothing and reading materials, thereby reducing the taxes paid by families consuming these basic items. In contrast, the federal Goods and Services Tax (GST) and the sales taxes of provinces that have harmonized their sales taxes with the GST apply to a much broader range of goods and services purchased by families.

Associated Costs

While tax expenditures serve important social and economic objectives, the introduction of any tax expenditure results in associated costs. These costs take several forms.

First, there is the cost of forgone revenue. Tax expenditures reduce the revenue collected and have a significant impact on a government's financial position.

Second, tax expenditures may add to the complexity of the tax system, leading to increased administrative effort by both taxpayers and governments.

Third, tax expenditures may create distortions in consumer and other economic behaviour.

Finally, tax expenditures may create increased compliance costs for both businesses and consumers.

Government of Canada Tax Expenditures

The federal government produces a detailed presentation on tax expenditures that are part of the federal tax system. The 2000 estimates of federal tax expenditures include projections to the year 2002, as well as historical data.

Since Saskatchewan's personal and corporate income taxes are based upon the federal definition of taxable income, many of the federal tax expenditures have an impact on Saskatchewan's revenue, not all of which are shown in this paper's estimates. Readers interested in examining the federal government's presentation of tax expenditures are invited to contact the Finance Canada Distribution Centre in Ottawa.

2001 Saskatchewan Tax Expenditures

Beginning in 2001, Saskatchewan's personal income tax is based directly upon taxable income. This change is reflected in the revised presentation of certain tax expenditures for personal income taxes. In addition, this paper adds estimates for the Post-Secondary Education Graduate Tax Credit, which was introduced in the 2000-01 Budget, and the Political Contribution Tax Credit and the Mineral Exploration Tax Credit, both of which are introduced in this Budget.

The following tables provide estimates of the major tax expenditures of the Government of Saskatchewan in 2001. The estimates were calculated using tax collection data and Statistics Canada data.

2001 Government of Saskatchewan
Tax Expenditure Accounts

(Value of Tax Expenditures in Millions of Dollars)

Sales Tax

Exemptions	
1. Children's clothing and footwear	$ 7.3
2. Prescription drugs	17.0
3. Electricity	27.4
4. Farm machinery and repair parts	56.3
5. Fertilizer, pesticide and seed	76.8
6. Food	
- Restaurant meals and snack foods	46.3
- Basic groceries	89.9
7. Natural gas	36.4
8. Reading materials	9.7
9. Services	
- Construction	137.6
- Personal care	12.9
10. Used goods - exemption amounts	6.2
11. Direct agents	8.5
12. Toll-free telephone services	0.2
13. Livestock and horticultural facilities	2.0
14. Municipal fire trucks	0.1
15. Mineral exploration equipment	0.1

Fuel Tax

1. Exemption and rebates for farm activity	$ 131.3
2. Exemption for heating fuels	17.4
3. Exemption for primary producers	1.9

Personal Income Tax

Deductions from Income	
1. Registered Pension Plan contributions	$ 36.3
2. Registered Retirement Savings Plan contributions	109.2
3. Annual union, professional or like dues	8.3
4. Child care expenses	6.9
5. Moving expenses	1.5
6. Carrying charges	7.8
7. Allowable employment expenses	9.2
8. $500,000 capital gains deduction	33.1
Saskatchewan Non-refundable Tax Credits	
1. $8,000 basic personal tax credit	$ 473.6
2. $8,000 spousal tax credit	28.7
3. $8,000 equivalent-to-spouse tax credit	12.4
4. Age tax credit	24.6
5. $500 supplement to the age tax credit	5.2
6. $1,500 dependent child tax credit	27.6
7. Canada Pension Plan contributions tax credit	40.6
8. Employment Insurance premiums tax credit	20.0
9. Pension income tax credit	8.6
10. Education tax credit	8.0
11. Tuition tax credit	9.6
12. Student loan interest tax credit	1.5
13. Disability tax credit	5.0
14. Caregiver and infirm dependants tax credits	0.6
15. Medical expenses tax credit	12.2
16. Charitable contributions tax credit	26.0
Other Saskatchewan Tax Measures	
1. Saskatchewan Sales Tax Credit	$ 26.0
2. Political Contribution Tax Credit	1.0
3. Post-Secondary Education Graduate Tax Credit	3.0
4. Mineral Exploration Tax Credit	0.3
5. Labour-sponsored Venture Capital Tax Credit	5.5

Corporation Income Tax

1. Lower tax rate for small business	$ 87.5
2. Royalty Tax Rebate	15.0
3. Manufacturing & Processing Profits Tax Reduction	24.0
4. Investment Tax Credit for Manufacturing and Processing	15.9
5. Research and Development Tax Credit	4.0

Corporation Capital Tax

1. General exemption of $10,000,000	$ 23.2
2. Exemption for co-operatives, credit unions, family farm corporations and insurance companies	11.5

2001 INTERCITY COMPARISON OF TAXES AND HOUSEHOLD CHARGES

Introduction

A number of factors contribute to the quality of life enjoyed by individuals and families in Saskatchewan and across Canada. For example, access to excellent health care, education and social services is a key part of the overall quality of life.

Two other important factors that affect quality of life are the level of taxation, and household costs for rent or mortgages, utilities and auto insurance.

Calculating the combined cost of provincial taxes and typical household charges is a reliable way to compare the attractiveness of living in different parts of Canada.

For the purposes of such a comparison, the total cost of such taxes and household charges for representative families living in Saskatoon, Saskatchewan's largest city, has been compared with the costs those families would face in other major cities across the country.

Provincial Taxes and Household Charges

The provincial taxes and household charges associated with the following family characteristics and income levels have been calculated to provide a representative comparison:

- a single individual, living in rental accommodation, with an annual income of $25,000;
- a family of two adults and two dependent children, owning its own home, with an annual family income of $50,000; and,
- a family of two adults and two dependent children, owning its own home, with an annual family income of $75,000.

The income of the two families is assumed to be earned by both spouses, with one earning 60 per cent and the other earning 40 per cent of total family income. With the exception of the GST on utilities, federal taxes are not included in this comparison.

The results of this survey show that Saskatoon compares favourably with other cities in Canada, having the lowest overall combined taxes and charges of the ten cities surveyed for each of these representative families.

There are a number of reasons for Saskatoon's favourable standing in this comparison with other Canadian cities. Saskatoon has the lowest combined charges for auto insurance, telephone, home heating and electricity in 2001. Also, housing costs in Saskatoon associated with mortgage payments and property taxes are among the lowest in Canada.

The combined effect of Saskatchewan's six per cent Provincial Sales Tax (PST) rate, the lowest of all provinces with a sales tax, and the broad list of PST exemptions means that Saskatchewan families pay the lowest sales tax in Canada. Alberta, which has no sales tax, levies health care premiums that exceed the sales tax paid in Saskatchewan by average families.

For 2001, Saskatchewan introduces a new personal income tax system with a simplified three-rate structure and higher personal non-refundable tax credits. This change builds on last year's reduction in the Flat Tax rate by eliminating the Flat Tax, the Debt Reduction Surtax, the High Income Surtax and the Saskatchewan Tax Reduction.

All of these factors combine to make Saskatoon compare very favourably with other Canadian cities when considering the living costs facing individuals and families.

Families will see significant provincial tax savings in 2001 compared to pre-reform tax levels:

- A single individual earning $25,000 will experience a $116 provincial tax reduction to $2,245, fourth lowest tax level in Canada;
- A two-income family earning $50,000 will experience a $481 provincial tax reduction to $3,972, fourth lowest tax level in Canada; and,
- A two-income family earning $75,000 will experience an $819 provincial tax reduction to $7,283, fourth lowest tax level in Canada.

2001 Intercity Comparison of Taxes and Household Charges: Single Person at $25,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
Provincial Income Tax	$ 1,303	$ 1,061	$ 1,784	$ 1,761	$ 997	$ 2,302	$ 1,576	$ 1,591	$ 1,578	$ 1,702
Tax Credits and Rebates	0	0	(77)	(350)	(129)	(525)	0	0	0	0
Health Premiums	432	408	0	0	0	0	0	0	0	0
Retail Sales Tax	392	0	388	469	569	774	864	864	641	910
Gasoline Tax	150	90	150	115	147	167	107	135	120	165
Total Provincial Taxes	$ 2,277	$ 1,559	$ 2,245	$ 1,995	$ 1,584	$ 2,718	$ 2,547	$ 2,590	$ 2,339	$ 2,777
*Pre-Reform Taxes**	*$ 2,361*	*$ 1,881*	*$ 2,361*	*$ 2,163*	*$ 1,695*	*$ 2,929*	*$ 2,606*	*$ 2,563*	*$ 2,357*	*$ 2,961*
Net Tax Savings	*$ 84*	*$ 322*	*$ 116*	*$ 168*	*$ 111*	*$ 211*	*$ 59*	*$ (27)*	*$ 18*	*$ 184*
Rent	$ 8,340	$ 7,332	$ 5,304	$ 5,676	$ 9,960	$ 5,496	$ 4,824	$ 6,468	$ 5,160	$ 5,724
Electricity	352	937	548	378	506	411	547	585	659	582
Energy Rebate	(250)	(780)	(25)	0	0	0	0	0	0	0
Telephone	320	289	282	283	282	302	257	321	286	256
Auto Insurance	1,624	1,909	996	1,038	2,652	1,460	1,838	2,160	1,189	1,813
Total Household Charges	$10,386	$ 9,687	$ 7,103	$ 7,375	$13,400	$ 7,669	$ 7,466	$ 9,534	$ 7,294	$ 8,375
Total	$12,663	$11,246	$ 9,348	$ 9,370	$14,984	$10,387	$10,013	$12,124	$ 9,633	$11,152

* Pre-reform taxes refers to total provincial taxes prior to the reform of provincial taxes that began in 2000. Net tax savings is determined as the difference between pre-reform taxes and 2001 total provincial taxes.

2001 Intercity Comparison of Taxes and Household Charges: Family at $50,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
Provincial Income Tax	$ 2,354	$ 1,823	**$ 2,878**	$ 2,614	$ 1,476	$ 2,141	$ 2,883	$ 2,910	$ 2,862	$ 3,110
Tax Credits and Rebates	0	0	**0**	(325)	0	0	0	0	0	0
Health Premiums	864	816	**0**	0	0	0	0	0	0	0
Retail Sales Tax	801	0	**794**	947	1,153	1,557	1,690	1,690	1,289	1,781
Gasoline Tax	300	180	**300**	230	294	334	214	270	240	330
Total Provincial Taxes	$ 4,319	$ 2,819	**$ 3,972**	$ 3,466	$ 2,923	$ 4,032	$ 4,787	$ 4,870	$ 4,391	$ 5,221
*Pre-Reform Taxes**	*$ 4,510*	*$ 3,486*	*$ 4,453*	*$ 3,925*	*$ 3,268*	*$ 5,182*	*$ 4,884*	*$ 4,610*	*$ 4,446*	*$ 5,555*
Net Tax Savings	*$ 191*	*$ 667*	*$ 481*	*$ 459*	*$ 345*	*$ 1,150*	*$ 97*	*$ (260)*	*$ 55*	*$ 334*
Mortgage Costs	$12,434	$ 8,691	**$ 5,503**	$ 5,179	$12,200	$ 5,496	$ 4,477	$ 6,226	$ 4,916	$ 4,302
Property Taxes	2,397	1,865	**1,875**	3,053	2,751	2,464	1,670	2,110	1,500	842
Home Heating	1,751	1,913	**1,087**	1,715	1,490	2,540	2,173	2,187	1,820	2,173
Energy Rebate	(200)	(1,680)	**(25)**	0	0	0	0	0	0	0
Electricity	569	1,458	**836**	589	787	603	838	923	986	856
Telephone	320	289	**282**	283	282	302	257	321	286	256
Auto Insurance	1,624	1,909	**996**	1,038	2,652	1,460	1,838	2,160	1,189	1,813
Total Household Charges	$18,895	$14,445	**$10,554**	$11,857	$20,162	$12,865	$11,253	$13,927	$10,697	$10,242
Total	$23,214	$17,264	**$14,526**	$15,323	$23,085	$16,897	$16,040	$18,797	$15,088	$15,463

2001 Intercity Comparison of Taxes and Household Charges: Family at $75,000 Total Income

	Vancouver	Calgary	Saskatoon	Winnipeg	Toronto	Montréal	Saint John	Halifax	Charlotte-town	St. John's
Provincial Income Tax	$ 4,860	$ 4,201	**$ 5,913**	$ 6,178	$ 3,715	$ 8,017	$ 5,956	$ 6,010	$ 5,763	$ 6,463
Tax Credits and Rebates	0	0	**0**	(325)	0	0	0	0	0	0
Health Premiums	864	816	**0**	0	0	0	0	0	0	0
Retail Sales Tax	1,086	0	**1,070**	1,265	1,543	2,073	2,231	2,231	1,723	2,353
Gasoline Tax	300	180	**300**	230	294	334	214	270	240	330
Total Provincial Taxes	$ 7,110	$ 5,197	**$ 7,283**	$ 7,348	$ 5,552	$10,424	$ 8,401	$ 8,511	$ 7,726	$ 9,146
*Pre-Reform Taxes**	*$ 7,434*	*$ 6,046*	*$ 8,102*	*$ 7,970*	*$ 5,901*	*$ 10,811*	*$ 8,582*	*$ 8,371*	*$ 7,971*	*$ 9,759*
Net Tax Savings	*$ 324*	*$ 849*	*$ 819*	*$ 622*	*$ 349*	*$ 387*	*$ 181*	*$ (140)*	*$ 245*	*$ 613*
Mortgage Costs	$12,434	$ 8,691	**$ 5,503**	$ 5,179	$12,200	$ 5,496	$ 4,477	$ 6,226	$ 4,916	$ 4,302
Property Taxes	2,397	1,865	**1,875**	3,053	2,751	2,464	1,670	2,110	1,500	842
Home Heating	1,751	1,913	**1,087**	1,715	1,490	2,540	2,173	2,187	1,820	2,173
Energy Rebate	(200)	(1,680)	**(25)**	0	0	0	0	0	0	0
Electricity	569	1,458	**836**	589	787	603	838	923	986	856
Telephone	320	289	**282**	283	282	302	257	321	286	256
Auto Insurance	1,624	1,909	**996**	1,038	2,652	1,460	1,838	2,160	1,189	1,813
Total Household Charges	$18,895	$14,445	**$10,554**	$11,857	$20,162	$12,865	$11,253	$13,927	$10,697	$10,242
Total	$26,005	$19,642	**$17,837**	$19,205	$25,714	$23,289	$19,654	$22,438	$18,423	$19,388

* Pre-reform taxes refers to total provincial taxes prior to the reform of provincial taxes that began in 2000. Net tax savings is determined as the difference between pre-reform taxes and 2001 total provincial taxes.

Taxes and Household Charges - Notes

Tax estimates are calculated using known changes as of March 1, 2001. All household charges are based on information available to Saskatchewan Finance as of January 1, 2001.

Provincial Income Tax is calculated for an individual with $25,000 and two families with $50,000 and $75,000 income, respectively. It is assumed that family income is earned by both spouses at a 60 per cent to 40 per cent ratio and that the families each claim $3,000 in child care expenses for two dependent children (ages 6 and 12). Personal non-refundable credits used include the CPP/QPP and EI contribution credits. Gross Québec Personal Income Tax has been reduced by the Québec Child Care Expense Tax Credit and by the 16.5 per cent abatement from federal income tax.

Tax Credits and Rebates refer to refundable provincial income tax credits and rebates designed to reduce the impact of retail sales tax, rental payments and property taxes.

Health Premiums are annual premiums for hospital insurance and medical services.

Retail Sales Tax is based upon average family expenditure baskets at the total income levels from the *Survey of Family Expenditures in 1996* (Statistics Canada). The sales tax base in each province was identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. Provincial retail sales taxes were then estimated based on taxable expenditures in each province.

Gasoline Tax is based on annual consumption of 1,000 litres by the single tax filer, and 2,000 litres for each of the families.

Mortgage Costs are based on average home prices for a detached bungalow, from the Royal LePage Fall 2000 *Survey of Canadian House Prices*, with one-half of the home price being financed over 25 years at a one-year closed mortgage rate of 7.5 per cent.

Property Taxes are based on the average estimated taxes for a detached bungalow, from the Royal LePage Fall 2000 *Survey of Canadian House Prices.*

Home Heating charges are based on an annual consumption level of 3,550 m^3 of natural gas. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. Rates include applicable municipal taxes and surcharges.

Electricity charges are based on an annual consumption level of 4,584 kWh for the renter and 8,100 kWh for each of the homeowners. Rates include applicable municipal taxes and surcharges.

Telephone charges are the basic service rates for individual residences. Rates include applicable municipal taxes and surcharges.

Auto Insurance is based on the premium rate for a male over 30 years of age, driving a 1998 Ford Taurus. Coverage includes $1,000,000 third party liability, $200 deductible collision ($250 in Calgary, Saint John, Charlottetown and Halifax; $300 in Toronto and St. John's) and $100 deductible comprehensive in each city surveyed.

2001 - 02 BORROWING AND DEBT

Introduction

This paper discusses the Province's 2001-02 estimated borrowing, debt, and debt servicing costs, compared to the forecast for 2000-01.

Debt

The debt of the General Revenue Fund (GRF) consists of:

- Gross Debt - the amount of money owed to lenders; *plus*
- Guaranteed Debt - the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so; *less*
- Sinking Funds - the amount of money which has been set aside for the repayment of debt.

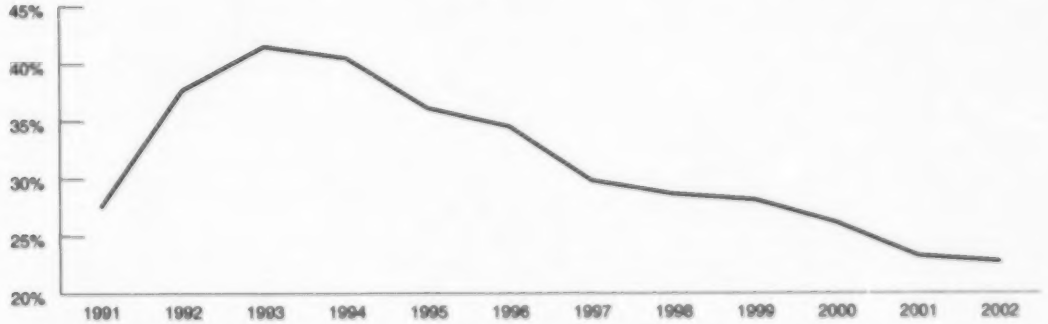
The Province borrows for government and Crown corporations. Crown corporations are responsible for the principal and interest payments on their debt. Crown corporation debt is incurred in the normal course of business, primarily for investment in infrastructure and business development initiatives which provide revenue streams to service the debt.

Since March 31, 1994, Crown corporation debt has fallen by nearly 40 per cent from $5.7 billion (24.7 per cent of Gross Domestic Product (GDP)) to a forecast $3.5 billion (10.6 per cent of GDP) at March 31, 2001. As at March 31, 2001, 85 per cent of Crown corporation debt will be for the utility Crown corporations.

Government debt has fallen by 17 per cent from a peak of $9.3 billion (40.5 per cent of GDP) at March 31, 1994 to a forecast $7.6 billion (23.2 per cent of GDP) at March 31, 2001. As shown in this paper, government debt will continue to drop in the current and budget year.

Government Debt as a Share of GDP

(as at March 31)



Summary of Debt
As at March 31
($ Millions)

	Estimated 2002	Forecast 2001	Actual 2000
Government			
Gross Debt	$ 7,994.6	$ 7,877.4	$ 7,930.2
Guaranteed Debt	217.9	265.4	302.6
Sinking Funds	588.4	493.8	402.5
Government Debt	$ 7,624.1	$ 7,649.0	$ 7,830.3
Crown Corporation			
Gross Debt	$ 3,792.1	$ 3,828.0	$ 3,937.7
Guaranteed Debt	36.6	41.0	46.1
Sinking Funds	307.8	364.7	594.1
Crown Corporation Debt	$ 3,520.9	$ 3,504.3	$ 3,389.7
Total Debt	$ 11,145.0	$ 11,153.3	$ 11,220.0

Government debt is forecast to decrease by $181.3 million in 2000-01 and a further $24.9 million in 2001-02.

Government debt as a percentage of GDP will decline from 26.1 per cent at March 31, 2000 to 23.2 per cent at March 31, 2001 and 22.7 per cent at March 31, 2002.

Crown corporation debt is forecast to increase by $114.6 million during 2000-01 and by a further $16.6 million during 2001-02. Crown corporation debt as a percentage of GDP will decline from 11.3 per cent at March 31, 2000 to 10.6 per cent at March 31, 2001 and 10.5 per cent at March 31, 2002.

Total debt is forecast to decrease by $66.7 million during 2000-01 and by a further $8.3 million in 2001-02. Total debt as a percentage of GDP will decline from 37.4 per cent at March 31, 2000 to 33.8 per cent at March 31, 2001 and 33.2 per cent at March 31, 2002.

The following table shows total debt by purpose as at March 31, 2000, 2001 (forecast) and 2002 (estimated).

Debt by Purpose
As at March 31
($ Millions)

	Estimated 2002	Forecast 2001	Actual 2000
Crown Corporation Debt			
Agricultural Credit Corporation of Saskatchewan	$ 47.0	$ 58.4	$ 77.9
Crown Investments Corporation of Saskatchewan	20.7	46.1	58.7
Information Services Corporation of Saskatchewan	32.4	21.0	6.9
Municipal Financing Corporation of Saskatchewan	27.1	62.1	91.0
Saskatchewan Development Fund	1.2	1.4	1.5
Saskatchewan Housing Corporation	165.3	156.6	174.1
Saskatchewan Opportunities Corporation	190.6	153.8	125.8
Saskatchewan Power Corporation	1,775.7	1,720.2	1,712.4
Saskatchewan Telecommunications	450.2	446.3	387.5
Saskatchewan Water Corporation	48.7	41.2	56.4
SaskEnergy Incorporated	762.0	797.2	697.5
Total Crown Corporation Debt	$ 3,520.9	$ 3,504.3	$ 3,389.7
Government Debt	$ 7,624.1	$ 7,649.0	$ 7,830.3
Total Debt	$ 11,145.0	$ 11,153.3	$ 11,220.0

Borrowing

The Province borrows through the sale of securities in capital markets and through the sale of savings bonds to Saskatchewan residents.

The Province's 2001-02 borrowing requirements are estimated to be $890.5 million, compared to forecast requirements of $1,968.6 million in 2000-01.

Borrowing requirements for government in 2001-02, estimated to be $684.2 million (2000-01 forecast – $1,476.9 million), are to finance maturing debt ($567.0 million) and other cash requirements.

Borrowing requirements for Crown corporations in 2001-02, estimated to be $206.3 million (2000-01 forecast – $491.7 million), are primarily to refinance debt borrowed on their behalf as well as to assist in the financing of their activities.

Reconciliation of Surplus and Change in Government Debt

The amount by which government debt will change may be higher or lower than the surplus reported under the accrual basis of accounting.

The differences between the surplus and the amount by which government debt will change is reconciled by:

1. **Adjusting the surplus to a cash basis** to recognize the amount and timing of non-cash revenues and expenditures to determine the cash provided from operating;

2. **Adding other cash sources or subtracting other cash requirements** to recognize the amount of cash inflows and outflows from loan, investment and other activities to determine the **cash available to reduce debt**;

3. **Adjusting for foreign exchange rate changes** to restate the value of foreign currency denominated debt due to changes in the exchange value of the Canadian dollar;

4. **Adding changes in sinking funds** which will be used to repay government debt; and,

5. **Adding the change in government guaranteed debt.**

	Estimated 2001–02	Forecast 2000–01
	($ Millions)	
Surplus (on Accrual Accounting Basis)	$ 2.8	$ 64.5
1. Adjustment to Cash Basis	(17.8)	(12.2)
Cash Provided From Operations	(15.0)	52.3
2. Other Cash Sources (Requirements)	(102.2)	64.9
Cash Available to Reduce Debt	**(117.2)**	**117.2**
3. Foreign Exchange Adjustment [1]	0.0	(64.4)
4. Change in Sinking Funds	94.6	91.3
5. Change in Guaranteed Debt	47.5	37.2
Decrease in Government Debt	$ 24.9	$ 181.3

1 An exchange rate of $0.6529 U.S. per $1.00 Canadian has been used to convert U.S. dollar denominated debt at March 31, 2001 and March 31, 2002, compared to $0.6880 U.S. March 31, 2000.

Cost of Servicing Gross Debt

In addition to interest payments, debt servicing costs include the amortization of gains or losses on debt that is denominated in foreign currencies resulting from a change in the value of the Canadian dollar, premiums, discounts, commissions and other costs related to the Province's debt.

The servicing costs for government gross debt are paid by the GRF and are shown in the Estimates as Vote 12.

Servicing costs of debt borrowed on behalf of Crown corporations are also paid by the GRF which is reimbursed by the respective Crown corporations. These costs are shown in the Estimates as Vote 177.

Debt servicing costs, primarily interest payments, associated with the Province's gross debt are estimated to total just under $950 million in 2001-02, $86.4 million lower than the 2000-01 forecast.

Cost of Servicing Gross Debt
($ Millions)

	Estimated 2001–02	Forecast 2000–01
Crown Corporation Debt	$ 308.2	$ 371.6
Government Debt	640.5	663.5
Total Cost of Servicing Gross Debt	$ 948.7	$ 1,035.1

The cost of servicing government gross debt is estimated to be $23.0 million lower in 2001-02 than forecast for 2000-01. This decline is primarily attributable to achieving lower interest rates on refinanced debt.

The 2001-02 debt servicing cost estimates are based on 5.5 per cent short term and 6.5 per cent long term interest rates. An exchange rate of $0.6529 U.S. per $1.00 Canadian has been used to convert U.S. dollar denominated debt as at March 31, 2001 and March 31, 2002.

A one percentage point increase in interest rates for a full year from levels assumed in the Budget would increase the estimated cost of servicing government gross debt in 2001-02 by approximately $15.5 million.

A one cent change in the value of the Canadian dollar compared to the U.S. dollar from the level assumed in the Budget would change the estimated cost in 2001-02 of servicing government gross debt by approximately $3.0 million.

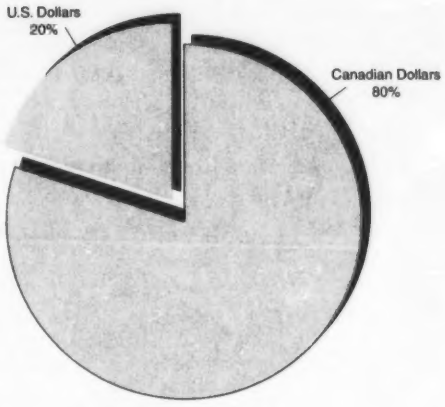
Gross Debt Characteristics

The following charts illustrate the composition of gross debt forecast as at March 31, 2001 by currency and financial instrument.

Canadian dollar gross debt includes debt issued in foreign currencies (i.e., U.S. dollars, Japanese yen, Swiss francs and German deutschemarks) that is hedged into Canadian dollars.

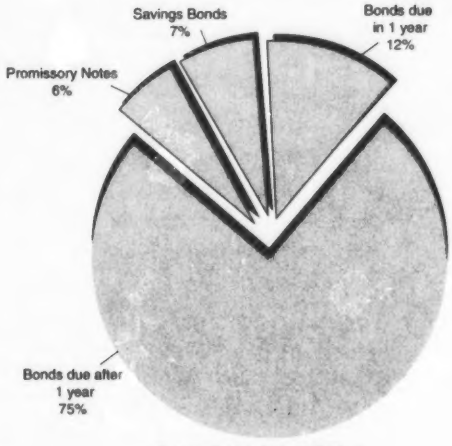
Fifty-three per cent of U.S. dollar denominated gross debt is for general government and 47 per cent is for Crown corporations.

Gross Debt by Currency
As at March 31, 2001



Gross Debt: $11.7 Billion

Gross Debt by Financial Instrument
As at March 31, 2001



Gross Debt: $11.7 Billion

Gross debt at March 31, 2001 is forecast to have an average term to maturity of 9.5 years.

Saskatchewan Savings Bonds held by residents of the Province total $825 million.

Bonds due after one year plus Saskatchewan Savings Bonds total 82 per cent of gross debt.

Conclusion

The 2001-02 Budget forecasts a substantial decrease in government debt in 2000-01 and estimates a further decline in 2001-02.

As well, the cost of servicing the debt continues to decline. This represents continued improvement in Saskatchewan's financial position.

General Revenue Fund
Statement of Revenue, Expenditure and Accumulated Deficit

(thousands of dollars)

	Estimated 2001-02	Forecast 2000-01	Estimated 2000-01
Revenue[1]	**$ 6,041,700**	$ 6,793,900 [3]	$ 6,382,400 [3]
Operating Expenditure [2]	**5,662,124**	5,290,878	5,290,586
Operating Surplus	**$ 379,576**	$ 1,503,022	$ 1,091,814
Servicing the Public Debt	**(640,500)**	(663,500)	(677,400)
Transfer from (to) Fiscal Stabilization Fund	**263,700**	(775,000)	(405,000)
Surplus for the Year	**$ 2,776**	$ 64,522	$ 9,414
Accumulated Deficit, Beginning of Year	**(7,004,028)**	(7,068,550)	(7,068,550)
Accumulated Deficit [4], End of Year	**$(7,001,252)**	$(7,004,028)	$(7,059,136)

[1] See Schedule of Revenue for details
[2] See Schedule of Expenditure for details
[3] This amount includes the transfer of the Saskatchewan Liquor and Gaming Authority retained earnings of $699.8 million (Forecast) and $695.4 million (Estimated) into the General Revenue Fund.
[4] The "Accumulated Deficit" is the amount by which expenditure has exceeded revenue since incorporation (in Saskatchewan's case, 1905) to the end of the fiscal year. In general, it is the sum of all the annual surpluses and deficits.

Fiscal Stabilization Fund

(thousands of dollars)

	Estimated 2001-02	Forecast 2000-01	Estimated 2000-01
Fiscal Stabilization Fund, Beginning of Year	**$ 775,000**	$ ---	$ ---
Transfer from (to) General Revenue Fund	**(263,700)**	775,000	405,000
Fiscal Stabilization Fund, End of Year	**$ 511,300**	$ 775,000	$ 405,000

General Revenue Fund
Debt Reduction Account

	(thousands of dollars)		
	Estimated 2001-02	**Forecast 2000-01**	**Estimated 2000-01**
Accumulated Surplus, Beginning of Year	**$ 636,473**	$ 571,951	$ 571,951
Surplus for the Year	**2,776**	64,522	9,414
Accumulated Surplus, End of Year	**$ 639,249**	$ 636,473	$ 581,365

This account is established pursuant to *The Balanced Budget Act*. The Debt Reduction Account is an accounting of the accumulated budget surpluses of the General Revenue Fund commencing April 1, 1995.

General Revenue Fund
Statement of Cash Flow

(thousands of dollars)

	Estimated 2001-02	Forecast 2001-01	Estimated 2000-01
Operating Activities			
Surplus for the Year	$ **2,776**	$ 64,522	$ 9,414
Add Non-cash Items:			
Amortization of Foreign Exchange Gains and Losses	**14,817**	12,171	8,967
Loss on Loans and Investments	**2,880**	1,898	3,965
Net Change in Non-cash Operating Activities	**1,255**	2,518	(50,000)
Earnings Retained in Sinking Funds	**(36,699)**	(28,768)	(28,224)
Cash from (for) Operating Activities	$ **(14,971)**	$ 52,341	$ (55,878)
Lending and Investing Activities			
Receipts	$ **301,516**	$ 693,882	$ 789,293
Disbursements	**360,137**	578,274	518,885
Cash from (for) Lending and Investing Activities	$ **(58,621)**	$ 115,608	$ 270,408
Financing Activities			
Borrowing	$ **890,453**	$ 1,968,650	$ 1,650,815
Debt Repayment	**(809,161)**	(2,251,681)	(1,774,945)
Increase (Decrease) in Deposits Held	**(263,700)**	59,800	(465,400)
Cash (for) from Financing Activities	$ **(182,408)**	$ (223,231)	$ (589,530)
(Decrease) Increase in Cash [1]	$ **(256,000)**	$ (55,282)	$ (375,000)

[1] Cash also includes temporary, short-term (less than 30 days) investments.

General Revenue Fund
Schedule of Revenue

(thousands of dollars)

	Estimated 2001-02	Forecast 2000-01	Estimated 2000-01
Taxes			
Corporation Capital	$ 367,700	$ 329,200	$ 291,100
Corporation Income	273,100	316,500	297,600
Fuel	367,700	365,000	347,600
Individual Income	1,184,900	1,255,400	1,247,000
Sales	795,500	758,100	815,200
Tobacco	124,600	124,600	124,600
Other	65,000	63,900	65,700
Taxes	$ 3,178,500	$ 3,212,700	$ 3,188,800
Non-Renewable Resources			
Natural Gas	167,900	239,600	66,500
Oil	511,500	794,700	447,400
Potash	160,900	195,400	195,200
Other	37,000	53,500	41,500
Non-Renewable Resources	$ 877,300	$ 1,283,200	$ 750,600
Transfers from Crown Entities			
Crown Investments Corporation of Saskatchewan	$ 200,000	$ ---	$ 150,000
Saskatchewan Liquor and Gaming Authority– Net Income	312,700	318,100	310,400
Saskatchewan Liquor and Gaming Authority – Retained Earnings	---	699,800	695,400
Other Enterprises and Funds	45,000	37,600	38,300
Transfers from Crown Entities	$ 557,700	$ 1,055,500	$ 1,194,100
Other Revenue			
Fines, Forfeits and Penalties	$ 14,100	$ 13,200	$ 14,200
Interest, Premium, Discount and Exchange	47,300	48,800	36,200
Motor Vehicle Fees	112,700	112,400	112,400
Other Licences and Permits	47,500	42,200	41,700
Sales, Services and Service Fees	69,200	75,800	71,400
Transfers from Other Governments	17,500	16,700	19,400
Other	12,100	13,500	12,400
Other Revenue	$ 320,400	$ 322,600	$ 307,700
Own-Source Revenue	$ 4,933,900	$ 5,874,000	$ 5,441,200
Transfers from the Government of Canada			
Canada Health and Social Transfer	$ 594,000	$ 552,400	$ 494,600
Equalization Payments	377,000	215,400	335,900
Other	136,800	152,100	110,700
Transfers from the Government of Canada	$ 1,107,800	$ 919,900	$ 941,200
Revenue	$ 6,041,700	$ 6,793,900	$ 6,382,400

General Revenue Fund
Schedule of Expenditure

(thousands of dollars)

	Estimated 2001-02	Forecast 2000-01	Estimated 2000-01
Executive Branch of Government			
Agriculture and Food	$ 337,103	$ 223,748	$ 248,748
Centenary Fund	30,000	30,000	30,000
Culture, Youth and Recreation	29,709	21,203	14,936
Economic and Co-operative Development	67,896	73,933	59,489
Education	521,543	499,450	478,017
– Teachers' Pensions and Benefits	93,380	82,698	110,444
Energy and Mines	30,301	18,919	17,024
Environment and Resource Management	130,022	125,429	116,924
– Forest Fire Contingency Fund	40,000	3,850	50,000
Executive Council	7,707	7,349	7,349
Finance	36,823	29,823	27,295
– Public Service Pensions and Benefits [1]	175,495	169,982	174,057
Health	2,207,228	2,048,350	1,977,697
– Transition Fund	– – –	50,090	150,000
Highways and Transportation	311,692	274,994	250,044
Intergovernmental and Aboriginal Affairs	46,422	47,430	48,979
Justice [2]	235,376	232,438	220,416
Labour	13,408	12,658	12,658
Municipal Affairs and Housing	170,778	155,197	152,217
Post-Secondary Education and Skills Training	511,486	530,391	494,066
Public Service Commission	8,965	8,211	8,211
Rural Revitalization Office	800	– – –	– – –
Saskatchewan Municipal Board	1,101	975	975
Saskatchewan Property Management Corporation	21,719	22,017	22,017
Saskatchewan Research Council	8,390	9,172	8,677
Saskatchewan Water Corporation	8,810	9,444	9,444
Social Services	588,492	577,258	575,258
Women's Secretariat	1,183	1,169	1,169
Legislative Branch of Government			
Chief Electoral Officer	710	1,193	893
Conflict of Interest Commissioner	122	103	122
Information and Privacy Commissioner	105	92	105
Legislative Assembly	17,571	16,055	16,098
Ombudsman and Children's Advocate	2,651	2,559	2,559
Provincial Auditor	5,136	4,698	4,698
Operating Expenditure	5,662,124	5,290,878	5,290,586
Servicing the Public Debt	640,500	663,500	677,400
Expenditure	$ 6,302,624	$ 5,954,378	$ 5,967,986

[1] Includes public service pension expenditures related to all branches of government (executive, legislative and judicial).
[2] Includes expenditures for the judicial branch of government.

General Revenue Fund
Schedule of Borrowing Requirements

(thousands of dollars)

	Estimated 2001-02	Forecast 2000-01	Estimated 2000-01
Borrowing for Crown Corporations			
Agricultural Credit Corporation of Saskatchewan	**$ 13,000**	$ ---	$ ---
Crown Investments Corporation of Saskatchewan.	**---**	---	86,200
Information Services Corporation of Saskatchewan.	**11,400**	14,070	20,400
Saskatchewan Housing Corporation.....	**51,000**	10,336	35,000
Saskatchewan Opportunities Corporation	**37,800**	28,900	21,400
Saskatchewan Power Corporation.....	**76,000**	---	---
Saskatchewan Telecommunications Holding Corporation	**8,900**	103,100	32,100
Saskatchewan Water Corporation	**8,200**	---	2,300
SaskEnergy Incorporated	**---**	335,300	230,600
Borrowing for Crown Corporations	**$ 206,300**	$ 491,706	$ 428,000
Borrowing for Government	**684,153**	1,476,944	1,222,815
Borrowing Requirements	**$ 890,453**	$ 1,968,650	$ 1,650,815

General Revenue Fund
Schedule of Debt

As at March 31

	(thousands of dollars)		
	Estimated 2002	**Forecast 2001**	**Estimated 2001**
Gross Debt			
Crown Corporation Debt			
Agricultural Credit Corporation of Saskatchewan	**$ 46,951**	$ 66,951	$ 66,951
Crown Investments Corporation of Saskatchewan	**175,027**	276,195	362,395
Information Services Corporation of Saskatchewan	**32,400**	21,000	27,330
Municipal Financing Corporation of Saskatchewan	**24,575**	59,575	59,575
Saskatchewan Housing Corporation	**166,459**	157,106	181,770
Saskatchewan Opportunities Corporation	**193,406**	155,606	148,106
Saskatchewan Power Corporation	**1,845,351**	1,769,351	1,617,307
Saskatchewan Telecommunications Holding Corporation	**480,272**	471,372	392,562
Saskatchewan Water Corporation	**49,184**	41,612	47,698
SaskEnergy Incorporated	**778,516**	809,216	704,516
Crown Corporation Debt	**$ 3,792,141**	$ 3,827,984	$ 3,608,210
Government Debt	**7,994,605**	7,877,470	8,135,558
Gross Debt	**$11,786,746**	$11,705,454	$11,743,768
Guaranteed Debt			
Crown Corporations	**$ 36,607**	$ 40,965	$ 41,071
Other	**217,809**	265,370	243,106
Guaranteed Debt	**$ 254,416**	$ 306,335	$ 284,177
Less: Equity in Sinking Funds			
Crown Corporations	**$ 307,830**	$ 364,685	$ 359,822
Government	**588,362**	493,777	480,384
Equity in Sinking Funds	**$ 896,192**	$ 858,462	$ 840,206
Total Debt	**$11,144,970**	$11,153,327	$11,187,739
Crown Corporation Debt	**$ 3,520,918**	$ 3,504,264	$ 3,289,459
Government Debt	**7,624,052**	7,649,063	7,898,280
Total Debt	**$11,144,970**	$11,153,327	$11,187,739

General Revenue Fund
Schedule of Guaranteed Debt

As at March 31

	(thousands of dollars)		
	Estimated 2002	**Forecast 2001**	**Estimated 2001**
Guaranteed Debt for Crown Corporations			
The Municipal Financing Corporation Act			
Guaranteed Debentures	**$ 2,500**	$ 2,500	$ 2,500
The Power Corporation Act			
National Trust Company	**10,003**	12,007	12,007
Luscar Ltd.	**22,749**	24,898	24,972
Saskatchewan Power Savings Bonds			
Series I to Series VII (matured)	**155**	160	111
The Saskatchewan Development Fund Act			
Guaranteed Investments	**1,200**	1,400	1,299
The Saskatchewan Telecommunications Act			
TeleBonds (matured)	**– – –**	– – –	182
Guaranteed Debt for Crown Corporations	**$ 36,607**	$ 40,965	$ 41,071
Other Guaranteed Debt			
The Community Bonds Act	**$ – – –**	$ 1,715	$ 1,746
The Farm Financial Stability Act			
Breeder Associations Loan Guarantees	**17,300**	17,300	15,260
Feeder Associations Loan Guarantees	**19,050**	16,450	15,314
Agricultural Income Disaster Assistance Program	**800**	1,100	– – –
The Government Organization Act			
The Saskatchewan Roughriders Football Club	**2,100**	3,100	1,360
The Housing and Special Care Homes Act			
Senior Citizens' Housing	**96**	127	108
The Industry and Commerce Development Act			
Saskferco Products Inc.	**104,410**	136,393	123,147
The NewGrade Energy Inc. Act			
NewGrade Energy Inc.	**73,828**	88,860	86,171
The Student Assistance and Student Aid Fund Act	**225**	325	– – –
Other Guaranteed Debt	**$ 217,809**	$ 265,370	$ 243,106
Guaranteed Debt	**$ 254,416**	$ 306,335	$ 284,177

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